TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

SUPPLY CHAIN MANAGEMENT POLICY

SECTION 1: TERMINOLOGY

ABBREVIATIONS

AG	Auditor-General
AO	Accounting Officer – (Municipal Manager)
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
DTI	Department of Trade and Industry
HDI	Historically Disadvantaged Individual
IDP	Integrated Development Plan
IT	Information Technology
LCC	Life Cycle Costing
MFMA	Municipal Finance Management Act
MM	Municipal Manager (Accounting Officer)
MSA	Municipal Systems Act
MTEF	Medium Term Expenditure Framework
NIPP	National Industrial Participation Programme
PCCAA	Prevention and Combating of Corrupt Activities Act. 2004
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act (Act 5 of 2000)
RDP	Reconstruction and Development Programme
SAPS	South African Police Services
SARS	South African Revenue Services
SBD	Standard Bidding Documents
SCM	Supply Chain Management
SCM Unit	Supply Chain Management Unit
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise

SP	Service Provider
TCO	Total Cost of Ownership
TOR	Terms of Reference

DEFINITIONS

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and

A-class Items	A-class items are those items that are not consumable or expendable.
Acquisition management	Acquisition management is the process of procurement of goods or services and includes the: ❒ Identification of preferential policy objectives; ❒ Determination of market strategy; ❒ Application of depreciation rates; ❒ Application of total cost of ownership principle; ❒ Compilation of bid documentation, including conditions; ❒ Determination of evaluation criteria; ❒ Evaluation of bids and tabling of recommendations; ❒ Compilation and signing of contract documents; ❒ Contract administration.
Affordable	Affordable in relation to a PPP agreement, means that the financial obligations to be incurred by a municipality in terms of the agreement can be met by: ❒ Funds designated in the municipality's budget for the current year for the activity outsourced in terms of the agreement; ❒ Funds destined for that activity in accordance with the future budgetary projections of the municipality; ❒ Any allocations of the municipality; ❒ Or a combination of such funds and allocations.
Asset	It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics: ❒ It possesses service potential or future economic benefit that is expected to flow to the entity.

	❒ It is controlled by the entity. ❒ It originates as a result of a past transaction or event.
Buy out	Pay someone to give up an ownership.
Competitive bid	Means a bid in terms of a competitive bidding process.
Competitive bidding process	a competitive bidding process for– (i) procurements above a transaction value of R200 000 (VAT included); and (ii) the procurement of long term contracts.
Current asset (inventory-perishable goods)	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
Customer service	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimises times and costs.
Demand management	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
Depreciation	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived at.
Disposal management	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
E-class accountable	Accounting in respect of those stores approved by the relevant Treasury as consumables.
E-class items	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
Economic principle	Obtain the highest possible output for the lowest possible use of resources.

Economy of scale	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
Equipment	A-class accountable stores that are issued and accounted for on an inventory.
Final award	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
Formal written price quotation	Means quotations referred to in section 11 of this policy.
Historically disadvantaged individual	Historically Disadvantaged Individual (HDI) means a South African citizen who: ❒ Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993)("the Interim Constitution"); and/or ❒ Is female and/or ❒ Has a disability. Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.
Immovable assets	All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).
Intangible assets	Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.
Integrated SCM	The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.
In the service of the state	Means to be: ❒ A member of ▪ Any municipal council, ▪ Any provincial legislature; or ▪ The National Assembly or the national Council of Provinces.

	❒ A member of the board of directors of any municipal entity. ❒ An official of any municipality or municipal entity. ❒ An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1 of 1999). ❒ A member of the accounting authority of any national or provincial public entity; or ❒ An employee of Parliament or a provincial legislature.
Inventories	Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.

Inventory (movable assets) management	It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.
Items	An individual article or unit.
Lifecycle costing	Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.
List of accredited prospective providers	Means a list of accredited prospective providers which a municipality or municipal entity must keep in terms of Section 4 of this policy.
Logistics management	Logistics management ensure that goods and services are available at the right place, time and quantities required to execute the functions of the municipality.
Long term contract	Means a contract with a duration period exceeding one year.

Measurable objectives	Measurable objectives identify very specific things that the municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
Movable assets	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
Municipal functions	Means: ❒ A municipal service. ❒ Any other activity within the legal competence of a municipality.
Municipal property	In relation to a municipality, includes any movable, immovable or intellectual property, owned by or under the control of: ❒ A municipality; or ❒ A municipal entity under the sole or shared control of the municipality.
Net present value (NPV)	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
Obsolete	No longer produced or used, out of date, to become obsolete by replacing it with something new.
Official	Official means: ❒ An employee of a municipality; ❒ A person seconded to a municipality to work as a member of the staff of the municipality; ❒ A person contracted to a municipality to work as a member of the staff of the municipality otherwise than as an employee.

Operation and maintenance plan	The objective of operation and maintenance plans is to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost.

Other applicable legislation	Means any other legislation applicable to municipal supply chain management, including: ❒ The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000). ❒ The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003). ❒ The Construction Industry Development Board Act, 2000 (Act No 38 of 2000).
Over-utilisation	Over-utilisation can have adverse effects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
Practitioner	A person who practises a profession or art.
Private party	In terms of a PPP, excludes: ❒ A municipality; ❒ A municipal entity; or ❒ An organ of state, including an institution listed in any of the schedules of the Public Finance Management Act, 1999 (Act 1 of 1999).
Procedures	Policies are carried out by means of more detailed guidelines called "standard methods". A series of actions conducted in a certain order or manner.
Process	A series of actions or steps towards achieving a particular end.
Project management	Project management is the planning, directing and controlling of an organisation's resources over a short term to ensure that specific objectives are successfully met.
Provider	A provider is the private person or institution that provides supplies, services or works to the Government.
Public-private partnership	Means a commercial transaction between a municipality and a private party in terms of which the private party: ❒ Performs a municipal function on behalf of a municipality. ❒ Acquires the use of municipal property for its own commercial purposes. ❒ Performs both a municipal function and acquires the use of municipal

	property as referred to above. ❒ Assumes substantial financial, technical and operational risks in connection with the performance of the municipal function or use of municipal property ❒ Receives a benefit for performing a municipal function or from utilising municipal property, by way of: ▪ Consideration to be paid by the municipality. ▪ Charges or fees to be collected by the private party from users or customers of a service provided to them. ▪ A combination of the above.
Quittance	The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.
Redundant	No longer needed or useful, superfluous (unnecessary).

SCM Regulations	Means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations.
Renewal	Replace or restore (something broken or worn out).
Risk management	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
Rules	Rules are statements that a specific action must or must not be taken in a given situation.
Salvage	The Act of saving any goods or property in danger of damage or destruction.
SMME	Means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria opposite the smallest relevant size or class.
Sourcing	Find out where to obtain.

Stores/stock	All movable state property/assets that are kept in stock for issue purposes.
Strategic goals	Strategic goals are areas of organisational performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the organisation.
Strategic objectives	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or "results" of actions that the municipality intends taking.
Treasury guidelines	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
The MFMA	Means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
The Act	**"** means the Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003)
Under-utilisation	Under-utilisation will increase the unit cost of programme delivery and may prompt the purchase of new assets when they are not required.
Value for money	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the municipality in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.
Written or verbal quotations	Means quotations referred to in section 11 of this policy.

SECTION 2: LEGISLATIVE REQUIREMENTS

1. THE CONSTITUTION

1.1 In establishing a SCM policy document, the organ of state must produce a document that complies with section 217 of the Constitution of the Republic of South Africa, Act No 108 of 1996, as amended, which reads as follows:

1.2 "217(1) When an Organ of State in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

1.3 Subsection (1) does not prevent the Organs of State or institutions referred to in the subsection from implementing a procurement policy providing for:

1.3.1 Categories of preference in the allocation of contracts; and

1.3.2 The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

1.4 National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented."

2. THE MUNICIPAL FINANCE MANAGEMENT ACT

2.1 The Municipal Finance Management Act, Act No 56 of 2003, sets out the responsibilities of the municipality's Accounting Officer and highlights a number of aspects impacting on supply chain management. The main aspects pertaining to supply chain management are as indicated hereunder.

2.1.1 Section 2 stipulates that municipalities must establish norms and standards and other requirements for:

2.1.1.1 Ensuring transparency, accountability and appropriate lines of responsibility.

2.1.1.2 The management of their revenues, expenditures, assets and liabilities.

2.1.1.3 Supply chain management.

2.1.2 Section 14 stipulates a municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

2.1.3 Section 19 stipulates a municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

2.1.4 Section 63(1)(a) stipulates that the AO of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

2.1.5 Section 63(2)(c) stipulates that the municipality has and maintains a system of internal control of assets, including an asset register, as may be prescribed.

2.1.6 Section 81(1)(e) and (2) stipulates that the CFO is responsible for SCM and is accountable to the AO.

2.1.7 Section 111 stipulates that each municipality must have and implement a SCM policy.

2.1.8 Section 112 stipulates that the SCM policy must be fair, equitable, transparent, competitive and cost-effective.

2.1.9 Section 113 stipulates that a municipality is not obliged to consider an unsolicited bid received outside its normal bidding process.

2.1.10 Section 114 stipulates if a bid other than the one recommended in the normal course of implementing the SCM policy, is approved, the AO must, in writing, notify the AG, the provincial and national treasury, of the reasons for deviating from such recommendation.

2.1.11 Section 115 which stipulates that the AO must:

2.1.11.1 Implement the SCM policy.

2.1.11.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCM system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

2.1.12 Section 116 stipulates that a contract or agreement procured through the supply chain management system must be in writing and stipulate the terms and conditions of the contract or agreement.

2.1.13 Section 117 stipulates that no councillor of the municipality may be a member of a Municipal Bid Committee or any other committee evaluating or approving bids, quotations, contracts or other bids, nor attend any such meeting as an observer.

2.1.14 Section 118 stipulates that no person may interfere with the SCM system or amend or tamper with any bids, quotations, contracts or bids after their submission.

2.1.15 Section 119 stipulates that the AO and all other officials involved in the implementation of the SCM policy must meet the prescribed competency levels.

3. REGULATIONS IN TERMS OF SECTION 168 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT

3.1 The purpose of the Regulations in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) is:

3.1.1 To cover the establishment of SCM policies and

3.1.2 To provide a framework for SCM policies.

3.2 The aspects of SCM are:

3.2.1 It stipulates that each municipality must have and implement a SCM policy.

3.2.2 The council must delegate such supply chain management powers and duties to the AO.

3.2.3 Each municipality must establish a SCM unit (SCMU) to implement its supply chain management policy. The SCM Unit must, where possible operate under the direct supervision of the CFO.

3.2.4 The training of officials involved in implementing a supply chain management policy should be in accordance with any guidelines issued by the National Treasury.

3.2.5 The SCM system must provide effective systems for the following:

3.2.5.1 Demand management.

3.2.5.2 Acquisition management.

3.2.5.3 Logistics management.

3.2.5.4 Disposal management.

3.2.5.5 Risk management

3.2.5.6 Performance management.

4. LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT

4.1 The purpose of the Local Government: Municipal Systems Act, Act No 32 of 2000, is:

4.1.1 To provide for the core principles, mechanisms and processes that is necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all.

4.1.2 To define the legal nature of a municipality as including the local community within the municipal area, working in partnerships with the municipality's political and administrative structures.

4.1.3 To provide for the manner in which municipal powers and functions are exercised and performed.

4.1.4 To provide for community participation.

4.1.5 To establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government.

4.1.6 To provide a framework for local public administration and human resource development.

4.1.7 To empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account by providing a framework for the provision of services, service delivery agreements and municipal service Local s.

4.1.8 To provide for credit control and debt collection.

4.1.9 To establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment.

4.1.10 To provide for legal matters pertaining to local government and to provide for matters incidental thereto.

5. THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA) AND ITS REGULATIONS

5.1 The Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000 and its regulations issued in June 2011 (effective December 2011), was promulgated to give effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution.

5.2 The following are the key elements noted in the Act and regulations:

5.2.1 The Municipality must determine its preferential procurement policy within the framework of the legislation.

5.2.2 A preference point system must be followed.

5.2.3 The 90/10 principle must be applied for contracts above R1 000 000.

5.2.4 The 80/20 principle must be applied for contracts from R30 000 and to the value of R1 000 000.

5.2.5 Specific goals may include:

5.2.5.1 Contracting with persons or categories of persons historically disadvantaged because of race, gender or disability.

5.2.5.2 Promoting RDP goals.

5.2.6 Functionality and price may be evaluated.

5.2.7 Tax affairs of companies must be in order.

5.3 The AO or CFO must be the one who establishes the specific goals under preference points shall be awarded

6. THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEE ACT)

6.1 The Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003, provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. A supporting strategy has also been published.

6.2 Black Economic Empowerment (BEE) is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa

and bring about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities.

6.3 The strategy is underpinned by the following principles:

6.3.1 BEE is broad-based in that it seeks to accelerate the deracialisation of the economy and fast track the re-entry of historically marginalized communities into the mainstream of the economy.

6.3.2 BEE is an inclusive process that includes all enterprises operating within South Africa.

6.3.3 BEE is part of a growth strategy for a more equitable economy that will benefit all South Africans, individuals and enterprises. As such it stresses growth and enterprise development, including new enterprises and not only the redistribution of existing wealth.

6.4 Progress of the BEE is to be measured by a balanced scorecard that provides a framework against which to benchmark the BEE process in different enterprises and sectors.

6.5 Economic empowerment of black people including women, workers, youth and people with disabilities and people living in rural areas will be promoted through preferential procurement in order to enable meaningful participation in the economy.

6.6 The Minister of Trade and Industry may develop broad-based charters to promote BEE, and issue codes of practice that could include qualification criteria for preferential procurement and other economic activities.

7. THE KING REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA

7.1 The municipality will subscribe to the Code of Corporate Practices Conduct in all material respects as it affects supply chain management.

7.2 The Report concludes that successful governance requires organisations to adopt an inclusive approach and there must be greater emphasis on the sustainable or non-financial aspects of its performance.

7.3 The tests of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the organisation, but also responsive and responsible towards the organisation's stakeholders must be applied.

7.4 The Report describes the principles of risk management, ethical conduct, black economic empowerment and social investment prioritisation and spending.

8. THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT

8.1 The Municipality will adhere to the directives contained in the Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004 as it affects the supply chain process.

8.2 The Act regulates offences in respect of corrupt activities relating to contracts, activities pertaining to acceptance of any gratification and the improper influence of another person as well as offences in respect of corrupt activities relating to procuring and withdrawal of tenders.

9. THE NATIONAL SMALL ENTERPRISE ACT

9.1 The National Small Enterprise Act, Act No 102 of 1996, as amended, establishes structures to promote small enterprises. The main functions are inter alia:

9.1.1 To expand, coordinate and monitor the provision of training, advice, counselling and any other non-financial services to small enterprise in accordance with the National Small Enterprise Support Strategy.

9.1.2 To consult with any organ of government, the NSBC or a service provider in order to inter alia:

9.1.2.1 Facilitate the provision of business advice and counselling services to small enterprises.

9.1.2.2 Facilitate national market access for products and services of small enterprises.

9.1.2.3 Generally strengthen the capacity of service providers to support small enterprises and small enterprises to compete successfully in the economy.

9.1.3 To enable small enterprises to compete successfully in the economy, the procurement policies and practices influence the economic behaviour of small enterprises, and therefore during the procurement process, it is important to implement guidelines to promote small enterprises.

10. STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT

10.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA must act as the procurement agency for every department's information technology requirements. This act prescribes that all municipalities are compelled to procure all information technology through SITA.

11. PUBLIC-PRIVATE PARTNERSHIPS

11.1 Whatever goods, works and/or services are procured by means of public private partnerships, Chapter 11, Part 2 of the MFMA as well as the Municipal Public-Private Partnership Regulations, must be adhered to.

12. OTHER APPLICABLE BY-LAWS, ORDINANCE OR LEGISLATION

12.1 All other applicable by-laws, ordinances or legislation impacting on SCM must be taken into account.

SECTION 3: AIM AND PURPOSE

1 AIM AND PURPOSE

1.1 To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain operation when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles and maximises the benefits from its consolidated buying power in the market place.

1.2 To ensure the efficient, effective and uniform disposal of assets through the procurement process.

1.3 Tswelopele Local Municipality shall manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals.

1.4 Tswelopele Local Municipality shall create a preferential procurement system that will encourage, promote and achieve social-economic objectives and good governance.

2 ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2.1 Tswelopele Local Municipality resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that:

2.1.1 Gives effect to:

2.1.1.1 Section 217 of the Constitution; and

2.1.1.2 Part 1 of Chapter 11 and other applicable provisions of the Act.

2.1.2 Is fair, equitable, transparent, competitive and cost effective.

2.1.3 Complies with:

2.1.3.1 The regulatory framework prescribed in Chapter 2 of the Regulations, and

2.1.3.2 Any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

2.1.4 Is consistent with other applicable legislation.

2.1.5 Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres, and

2.1.6 Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

2.2 The municipality may not act otherwise than in accordance with this supply chain management policy when:

2.2.1 Procuring goods or services.

2.2.2 Disposing of goods no longer needed.

2.2.3 Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies.

2.2.4 In the case of the municipality, selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.3 Subparagraphs 2.1 and 2.2 of this policy do not apply in the circumstances described in section 110(2) of the Act except where specifically provided otherwise in this policy.

3 ADOPTION AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

3.1 The Accounting Officer must:

3.1.1 At least annually review the implementation of this policy.

3.1.2 When the Accounting Officer considers it necessary, submit proposals for the amendment of this policy to the council.

3.2 If the Accounting Officer submits a draft policy to the council that differs from the model policy, the Accounting Officer must ensure that such draft policy complies with the Regulations. The Accounting Officer must report any deviation from the model policy to the National Treasury and the relevant Provincial Treasury.

3.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

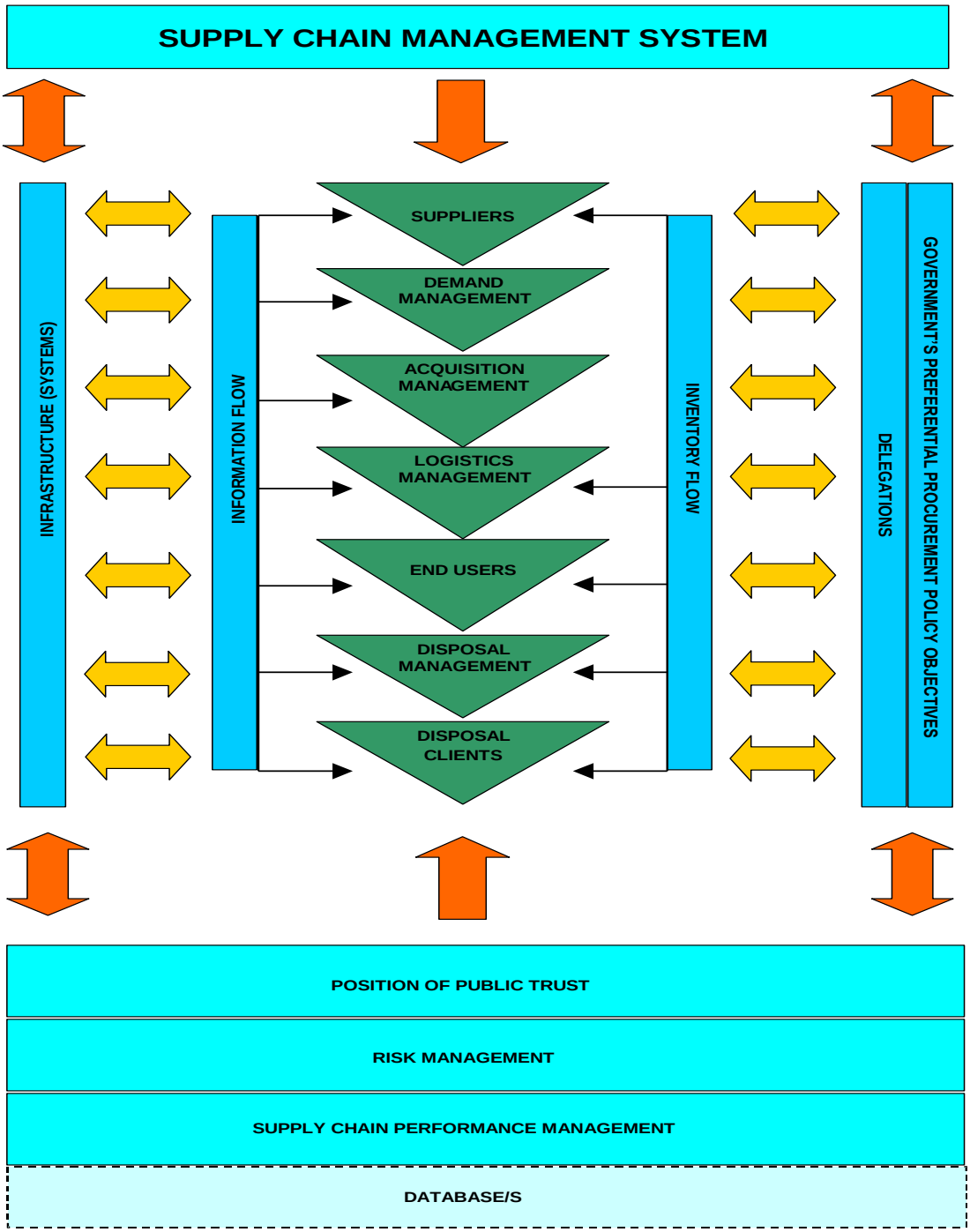
3.4 The Accounting Officer of the municipality in terms of section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

SECTION 4: ESTABLISHMENT

1. THE SUPPLY CHAIN MANAGEMENT SYSTEM

1.1 The supply chain management system can be seen as an integrated system, taking into account suppliers, clients, information and inventory flow.

1.2 The diagram below illustrates how the main functions are interlinked.



2 SUPPLY CHAIN MANAGEMENT UNIT

1.3 The Accounting Officer shall establish a supply chain management unit (SCM Unit) under the Budget and Treasury Office to implement this supply chain management policy.

1.4 The SCM Unit shall, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

2. FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

2.1 The supply chain management unit provides for the following systems:

2.1.1 Demand management.

2.1.2 Acquisition management.

2.1.3 Logistics management

2.1.4 Disposal management.

2.1.5 Risk management.

2.1.6 Performance management.

2.1.7 All the activities involved in acquisition and disposal of movable, immovable assets and other goods and services will done and finalized in SCM Unit.

3 TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

3.1 The Accounting Officer and all other officials of the municipality involved in the implementation of the supply chain management policy of the municipality must meet the prescribed competency levels.

3.2 The municipality shall for the purposes of par 3.1 provide resources or opportunities for the training of officials referred to, to meet the prescribed competency levels.

3.3 The National Treasury or the Provincial Treasury may assist the municipality in the training of officials.

3.4 The training of officials involved in implementing this supply chain management policy should be trained in accordance with any guidelines issued by National Treasury.

SECTION 6: AUTHORITY TO EXECUTE

1. GENERAL

1.1 All supply chain activities will be executed in accordance with pre-established levels of authority through delegations to ensure control and division of responsibility.

1.2 Any activity to be executed shall be done in accordance with a delegation. These delegations must be in writing and contained in the Municipality's delegation document.

1.3 Administration of petty cash shall be in terms of the Petty Cash Policy. Staff authorised to administer petty cash shall do so in terms of that policy.

1.4 The Accounting Officer shall appoint an independent and impartial person to deal with any disputes levelled against the municipality. The appointment shall be made once the dispute/s has been formalised against the municipality. The conduct (processes and procedures) of the appointed independent person shall be guided by precincts' of SCM regulations S50 and any other relevant legislation.

2. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

2.1 The Accounting Officer of the municipality delegated by council:

2.1.1 Shall develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration.

2.1.2 May, in accordance with that system, delegate to a member of the municipality's top management or any other official of the municipality:

2.1.2.1 Any of the powers or duties assigned to the Accounting Officer in terms of the chapter 8 and 10 of Act and this policy.

2.1.2.2 Any powers or duties reasonably necessary to assist the Accounting Officer in complying with a duty which requires the Accounting Officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of the Act.

2.1.3 Shall regularly review delegations issued in terms of its authority and, if necessary, amend or withdraw any of those delegations.

2.2 The Accounting Officer may not delegate to any political structure or political office-bearer of the municipality any of the powers or duties assigned to Accounting Officers in terms of the Act.

2.3 A delegation in terms of the above:

2.3.1 Must be in writing.

2.3.2 Is subject to such limitations and conditions as the Accounting Officer may impose in a specific case.

2.3.3 May either be to a specific individual or to the holder of a specific post in the municipality.

2.3.4 May, in the case of a delegation to a member of the municipality's top management authorise that member to sub-delegate the delegated power or duty to an official or the holder of a specific post in that member's area of responsibility.

2.3.5 Does not divest the Accounting Officer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

2.4 The Accounting Officer may confirm, vary or revoke any decision taken in consequence of a delegation or sub-delegation in terms of this section, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

2.5 The Municipal Council may delegate to the Accounting Officer its power to transfer ownership or otherwise dispose of a capital asset in respect of movable capital assets below a value determined by the Council, but only after the Municipal Council, in a meeting open to the public:

2.5.1 Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.

2.5.2 Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

2.6 The Council of the Municipality shall delegate such supply chain management powers and duties to the Accounting Officer in order to enable the Accounting Officer to:

2.6.1 Maximise administrative and operational efficiency in the implementation of the supply chain management policy.

2.6.2 To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy.

2.6.3 To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the MFMA.

2.7 No supply chain management powers and duties may be delegated or sub-delegated to:

2.7.1 A person who is a Councillor of any municipality.

2.7.2 A committee of which a Councillor of any municipality is a member.

2.7.3 A person who is not an official of the municipality.

2.7.4 A committee which is not exclusively composed of officials of the municipality.

2.8 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise that through the committee system provided for in section 7, of this policy.

3. SUB-DELEGATIONS

3.1 The Accounting Officer may in terms of section 79 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this policy.

3.2 The power to make a final award:

3.2.1 Above R10 million (VAT included) may not be sub-delegated by the Accounting Officer.

3.2.2 Above R2 million (VAT included), but not exceeding R10 million (VAT included) may be sub-delegated but only to:

3.2.2.1 The chief financial officer or;

3.2.2.2 A senior manager or;

3.2.2.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.

3.2.3 Not exceeding R2 million (VAT included) may be sub-delegated but only to:

3.2.3.1 The chief financial officer.

3.2.3.2 A Head of Department / Director.

3.2.3.3 A manager directly accountable to the chief financial officer or a senior manager or;

3.2.3.4 A bid adjudication committee.

3.3 An official or bid adjudication committee to which the power to make final awards has been sub-delegated must within five days of the end of each month submit to the official referred to in subparagraph 3.4 of this policy a written report containing particulars of each final award made by such official or committee during that month, including:

3.3.1 The amount of the award;

3.3.2 The name of the person to whom the award was made and

3.3.3 The reason why the award was made to that person.

3.4 A written report referred to in section 6, subparagraph 3.3 of this policy must be submitted:

3.4.1 To the Accounting Officer, in the case of an award by:

3.4.1.1 The chief financial officer.

3.4.1.2 A senior manager.

3.4.1.3 A bid adjudication committee of which the chief financial officer or a senior manager is a member.

3.4.2 The chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by:

3.4.2.1 A manager referred to in section 6, subparagraph 3.2.3.3 of this policy.

3.4.2.2 A bid adjudication committee of which the chief financial officer or a senior manager is not a member.

3.5 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in section 7, of this policy.

3.6 No supply chain management decision-making powers may be delegated to an advisor or consultant.

3.7 All delegations must be in writing to individual officials in top or senior management.

4. DELEGATION OF DUTIES AND RESPONSIBILITIES

4.1 Uninterrupted determination of responsibility and accountability should be maintained at all times to ensure that the supply chain is managed efficiently. It is imperative that the duties and responsibilities of every member of the SCM Unit be clearly defined and delegated.

4.2 Responsibility

4.2.1 Responsibility must be clearly delegated in writing. Formal acceptance of the delegated duties and responsibilities is also required if it is to be binding.

4.2.2 For an official to accept responsibility he/she has to receive formal training to execute the responsibilities and duties bestowed upon him/her. Any delegation should include referrals to the various policies/procedures for which execution the delegate is held responsible. Where necessary, post incumbents should receive on the job training to enhance their proficiency.

4.3 Authority

4.3.1 Duties and responsibilities cannot be successfully executed without proper authority. The individual, to whom duties and responsibilities have been delegated, must have the mandate to give orders and the authority to enforce obedience within the organisational parameters for proper conduct. The person must therefore be empowered to exercise the rights and to use the discretion assigned to a position.

4.3.2 The following types of authority can be delegated:

4.3.2.1 Executive authority to make defined decisions without referral to higher authority.

4.3.2.2 Authority to make recommendations.

4.3.2.3 Authority to agree with a decision before it comes mandatory.

4.3.2.4 The authority to be informed.

4.3.3 Authority must therefore be clearly defined and delegated in writing. Formal acceptance of the delegated authority is also required if it is to be binding.

4.4 Accountability

4.4.1 The delegation of responsibilities and authority creates the obligation and liability to perform duties properly and in accordance with regulations. Delegation to a lower level within the municipality does not diminish the accountability vested in the higher levels within the municipality. It is therefore clear that accountability is created at every level, but can never be delegated.

4.5 Influence of expertise on delegations

4.5.1 A function or task may only be delegated to a qualified and competent official. Accountability cannot be established if it is known that the person to be delegated to is not competent or qualified to execute the task.

4.5.2 A gradual delegation of responsibilities can be considered as the expertise seated in any decentralised offices increases through experience and training.

5. PARTICIPATION OF ADVISORS

5.1 The Accounting Officer may procure the services of advisors to assist in execution of the supply chain management function, provided that:

5.1.1 The appointment shall only be made through a competitive bidding process.

5.1.2 No advisor shall participate in the final decision-making process regarding the award of bids.

5.1.3 No decision-making authority shall be delegated to an advisor.

SECTION 7: ROLES AND RESPONSIBILITIES

1. SUPPLY CHAIN FOCUS

1.1 The roles and responsibilities of all the structures hereunder are defined only from the perspective of supply chain management.

2. OVERSIGHT ROLE OF THE COUNCIL

2.1 The Council of Tswelopele Local municipality shall maintain an oversight over the implementation of supply chain management policy to ensure that it is within the ambit of the applicable legislation.

2.1.1 The Accounting Officer must, within 30 days of the end of financial year or whenever there are serious and material problems in the implementation of the supply chain management policy, submit reports on the implementation of the supply chain management to the Council of the municipality.

2.1.2 The Accounting Officer must within 10 days after the end of each quarter submit a report implementation of supply chain management policy to the mayor.

2.1.3 The reports shall be made public in accordance with section 21A of the Municipal Systems Act.

3. ROLE OF THE ACCOUNTING OFFICER

3.1 The Accounting Officer shall:

3.1.1 Implement a supply chain management policy for the municipality.

3.1.2 Take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

3.2 The Accounting Officer of Tswelopele Local Municipality shall prepare and review supply chain management policy and submits to the Council of the municipality for adoption.

3.3 The Accounting Officer through the assistance of the Chief Financial Officer and Senior Manager shall establish and appoint members to the following bid committees:

3.3.1 A bid specification committee.

3.3.2 A bid evaluation committee.

3.3.3 A bid adjudication committee.

3.4 The Accounting Officer shall appoint the members of each committee, taking into account:

3.4.1 That no Councillor may be a member of a municipal bid committee or any other committee evaluating or approving bids, quotations or contract, nor attend such meeting as an observer.

3.4.2 No person may:

3.4.2.1 Interfere with the supply chain management system.

3.4.2.2 Amend or tamper with any bids, quotations, and contracts after their submission.

3.5 The committee system must be consistent with:

3.5.1 The MFMA.

3.5.2 The Preferential Procurement Policy Framework Act and its Regulations.

3.5.3 The Broad-based Black Economic Empowerment Act and its Strategy.

3.6 The Accounting Officer may apply the committee system to formal written price quotations if he deems it fit.

3.7 The Accounting Officer may procure goods and services for the municipality by utilising the committee system of another municipality or municipal entity in terms of an agreement with that other municipality or municipal entity.

3.8 Approve the amount to be paid by prospective service providers as non-refundable deposit for enquiry documents issued by the municipality.

4. ROLE OF THE CHIEF FINANCIAL OFFICER (CFO)

4.1 The Chief Financial Officer shall be the custodian of SCM policy and report progress regarding the implementation of the supply chain management and supply chain management policy to the Accounting Officer who will report to council.

4.1.1 Responsible for the overall management of the supply chain management unit.

4.1.2 Responsible to ensure that the supply chain management policy is adhered to.

4.1.3 Responsible to ensure that all employees involved in the supply chain management process receive the necessary training and support to implement the SCM Policy.

4.1.4 Responsible to determine the amount to be paid by prospective service prodders as a non-refundable deposit for enquiry documents issued by the municipality.

4.1.5 Shall approve all applications of service providers for possible inclusion in the register of service providers (service providers' data base).

4.1.6 Shall be responsible for approval of the quotations received from prospective service providers for goods and services. This function may be delegated to the officials in the SCM Unit.

5. ROLE OF BID SPECIFICATION COMMITTEES

5.1 COMPOSITION

5.1.1 The bid specification committee shall be composed of:

5.1.1.1 One or more officials from the municipality and preferably from user departments requiring goods or services.

5.1.1.2 Supply chain practitioners must be present.

5.1.1.3 May, where appropriate, include external technical specialists.

5.1.2 No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

5.2 RESPONSIBILITIES

5.2.1 To compile the specifications for each procurement of goods or services by the municipality.

5.2.2 Specifications –

5.2.2.1 Shall be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services.

5.2.2.2 Shall take account of any accepted standards such as those issued by standard South Africa, the international standard organisation, or an authorised accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

5.2.2.3 Must where possible, be described in terms of performance required rather than in terms of descriptive characteristics.

5.2.2.4. May not create trade barriers in contract requirements in the form of specification, plans, drawing, designs, testing and test method, packaging, marking or labelling of conformity certification.

5.2.2.5. May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of

describing the characteristics of the work, I which case such reference must be accompanied by the word equivalent.

5.2.2.6. Shall be approved by the Accounting Officer/his delegate prior to publication of the invitation for bids.

6. ROLE OF BID EVALUATION COMMITTEE

6.1 COMPOSITION

6.1.1 The Committee shall so far as it may be possible:

6.1.1.1 Be cross-functional.

6.1.1.2 Be composed of:

- ❒ Officials from the departments requiring the goods or services.
- ❒ At least one supply chain management practitioner.

6.1.1.3 Allow for a neutral or independent person to monitor the fairness of the proceedings.

6.2 FUNCTIONS AND RESPONSIBILITIES

6.2.1 The bid evaluation committee shall:

6.2.1.1 Evaluate bids in accordance with:

- ❒ The specifications for a specific procurement.
- ❒ The preference point system in terms of the Preferential Procurement Policy Framework Act.

6.2.1.2 Evaluate each bidder's ability to execute the contract.

6.2.1.3 Check in respect of each bidder whether:

- ❒ A tax clearance certificate, issued by SARS, has been submitted.

- ❒ Municipal rates and taxes and municipal service charges are not more that three months in arrears.

6.2.1.4 The Chief Financial Officer shall ensure that, irrespective of the procurement process followed, no award above R30 000 (vat included) is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order. SARS tax clearance certificate will be sufficient in this regard.

6.2.1.5 Only original tax clearance certificate shall be valid for competitive bidding process (i.e. contract above R200 000.00. In case of quotations up to R200 000.00 (VAT included), a copy of the certificate which is still valid in terms of the dates will be accepted.

6.2.1.6 SARS may be consulted as a secondary measure, if SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph 5.2.1.4 be presumed to be in order.

6.2.1.7 Verify whether national industrial participation programme requirements have been complied with, if the contract is in excess of R100 million.

6.2.1.8 Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter for consideration.

6.2.1.9 The recommendation by the bid evaluation committee to the adjudication committee shall consist of three recommended service provider (in order of preference / scoring).

7. ROLE OF BID ADJUDICATION COMMITTEE

7.1 COMPOSITION

7.1.1 The Bid Adjudication Committee must be cross-functional.

7.1.2 The Bid Adjudication Committee shall consist of:

7.1.2.1 The Accounting Officer will appoint the chairperson of the committee amongst Senior Managers or if the Senior Managers are not available, another official of the municipality designated by the Accounting Officer.

7.1.2.2 At least four top or senior management (including the CFO) officials of the municipality.

7.1.2.3 At least one supply chain management practitioner, who is an official of the municipality.

7.1.2.4 When necessary, a technical expert in the relevant field, who is an official.

7.1.3 If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside the meeting.

7.1.4 Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

7.1.5 A member of the bid evaluation committee might be asked to present the bid evaluation report but shall not vote in the proceedings.

7.2 FUNCTIONS AND RESPONSIBILITIES

7.2.1 The bid adjudication committee shall consider the report and recommendations of the bid evaluation committee and either make a final award depending on delegations, or make another recommendation to the Accounting Officer to make the final award.

7.2.2 Make another recommendation to the Accounting Officer on how to proceed with the relevant procurement.

7.2.3 If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee shall prior to awarding the bid:

7.2.3.1 Check in respect of the preferred bidder whether the bidder's municipal rates and taxes and municipal services charges are not in arrears for the period more than three months.

7.2.3.2 Notify the Accounting Officer.

7.2.4 The Accounting Officer may:

7.2.4.1 After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee.

7.2.4.2 If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration

7.2.5 The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to the committee for reconsideration of the recommendation.

7.2.6 The Accounting Officer must, in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation, within 10 working days.

7.2.7 Prohibition on awards to persons in the service of the state.

7.2.7.1 The Accounting Officer shall ensure that irrespective of the procurement process followed, no award may be given to a person:

- ❒ Who is in the service of the state.
- ❒ Who has been in the service of state within the last twelve months of the date of an award.
- ❒ If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state.
- ❒ A person who is an advisor or consultant contracted with the municipality.

7.2.8 Awards to close family members of persons in the service of the state without prior disclosure.

7.2.8.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000.00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

- ❒ The name of that person.
- ❒ The capacity in which that person is in the service of the state.
- ❒ The amount of the award.

8. ROLES OF THE DISPOSAL COMMITTEE

8.1 COMPOSITION

8.1.1 The chairperson (Municipal Manager) of the Committee shall appoint at least a minimum of three members to the Committee in writing. One of the members of the Committee must be proficient in logistics management (Supply Chain Management Practitioner). All members of the Committee must at all times objectively evaluate the items that are submitted for disposal.

8.1.2 In addition to the abovementioned members of the Committee, the chairperson may at anytime during the process of evaluation of specialised stores/equipment co-opt additional members who posses specialised knowledge in the relevant field in writing. An official who is in direct control of stores/equipment, which is to be evaluated may not serve as a member of the Committee, but can assist the Committee in the evaluation process.

SECTION 8: ETHICS IN SCM

1. COMBATING THE ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

1.1 In combating the abuse of the supply chain management system, the Accounting Officer shall:

1.1.1 Take all reasonable steps to prevent such abuse.

1.1.2 Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy, and when justified:

1.1.2.1 Take appropriate steps against such official or other role player.

1.1.2.2 Report any alleged criminal conduct to the South African Police Service (SAPS).

1.1.3 Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.

1.1.4 Reject any bid from a bidder:

1.1.4.1 Who fails to provide written proof from the South African Revenue Services (SARS) that that bidder either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.

1.1.4.2 Whose municipal rates and taxes or municipal service charges owed to the municipality, or other municipalities, are in arrears.

1.1.4.3 Who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or entity after written notice was given to that bidder that performance was unsatisfactory.

1.1.5 Reject a recommendation for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract.

1.1.6 Cancel a contract awarded to a person if:

1.1.6.1 The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract.

1.1.6.2 An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.

1.1.7 Reject the bid of any bidder if that bidder, or any of its directors:

1.1.7.1 Has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system.

1.1.7.2 Has been convicted of fraud or corruption during the past five years.

1.1.7.3 Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years.

1.1.7.4 Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004.

1.2 The Accounting Officer shall inform the Provincial Treasury in writing of any actions taken in terms of the above paragraphs.

2. ETHICAL STANDARDS

2.1 A code of ethical standards shall be established and acknowledged by all role players to comply with paragraph 2.2 for officials and other role players in the supply chain management system in order to promote:

2.1.1 Mutual trust and respect.

2.1.2 An environment where business can be conducted with integrity and in a fair and reasonable manner.

2.2 A municipal code of ethical standards shall stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality.

2.2.1 Must treat all providers and potential providers equitably.

2.2.2 May not use his or her position for private gain or to improperly benefit another person.

2.2.3 May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person.

2.2.4 Notwithstanding paragraph 2.2.3, must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person.

2.2.5 Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality.

2.2.6 Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest.

2.2.7 Must be scrupulous in his or her use of property belonging to the municipality.

2.2.8 Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.

2.2.9 Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

2.2.9.1 Any alleged fraud, corruption, favouritism or unfair conduct.

2.2.9.2 Any alleged contravention in the promise, offer or grant of any reward, gift, favour or hospitality.

2.2.9.3 Any alleged breach of the code of ethical standards.

2.3 This policy provides that:

2.3.1 All declarations in terms of paragraph 2.2.4 and 2.2.5 shall be recorded in a register, which the Accounting Officer must keep for this purpose.

2.3.2 All declarations by the Accounting Officer shall be made to the Mayor and that the mayor must ensure that such declarations are recorded in the register.

2.3.3 Contain measures to ensure that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

2.4 The National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management must be taken into account.

2.5 The municipality may adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality.

2.6 A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.

3. REWARDS, GIFTS AND FAVOURS TO MUNICIPAL OFFICIALS AND OTHER ROLE PLAYERS

3.1 No person who is a provider of goods or services or prospective provider of goods or services to the municipality, or a recipient or prospective recipient of goods disposed, or to be disposed of, by the municipality, may either directly or through a representative or intermediary promise, offer or grant any reward, gift, favour or hospitality to:

3.1.1 Any official of the municipality.

3.1.2 Any other role player involved in the implementation of the supply chain management policy of the municipality.

3.1.3 Any inducement or reward to the municipality for or in connection with the award of a contract.

3.2 The Accounting Officer shall promptly report any alleged contravention of paragraph 3.1 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

3.3 The promise, offer or grant of any reward, gift, favour or hospitality does not apply to gifts less than R350 in value.

4. SPONSORSHIPS

4.1 The Accounting Officer must promptly disclose to the National Treasury and the provincial treasury any sponsorship promised, offered or granted to the municipality, whether directly or through a representative or intermediary, by any person who is:

4.1.1 A provider of goods or services or prospective provider of goods or services to the municipality or entity.

4.1.2 A recipient or prospective recipient of goods disposed, or to be disposed of, by the municipality.

5. OFFENCES

5.1 The Accounting Officer is guilty of an offence if he/she:

5.1.1 Deliberately or in a grossly negligent way:

5.1.1.1 Contravenes or fails to comply with a provision of sections 61(1), 61(2)(b), 63(2)(a) or (c) or 65(2)(i) of the Act.

5.1.1.2 Fails to take reasonable steps to implement the municipality's supply chain management policy.

5.1.1.3 Fails to take all reasonable steps to prevent unauthorised, irregular or fruitless and wasteful expenditure.

5.1.1.4 Fails to take all reasonable steps to prevent corruptive practices in:

- ❒ The management of the municipality's assets.

- ❒ The implementation of the municipality's supply chain management policy.

5.1.2 Deliberately provides false or misleading information in any document which in terms of a requirement of the Act must be:

5.1.2.1 Submitted to the Auditor-General, the National Treasury or any other organ of state.

5.1.2.2 Made public.

5.2 A senior manager or other official of the municipality exercising financial management responsibilities and to whom a power or duty was delegated in terms of Section 79, is guilty of an offence if that senior manager or official deliberately or in a grossly negligent way contravenes or fails to comply with a condition of the delegation.

SECTION 9: RISK MANAGEMENT

1. RISK MANAGEMENT

1.1 Risk management is a key responsibility of the Accounting Officer. Treasury Regulations assign responsibilities for aspects of risk management to the CFO, the internal audit function and the Audit Committee, each of which are accountable to the Accounting Officer for the discharge of their responsibilities.

1.2 Risk management is a continuous and proactive process that relates to all organisational activities at all levels. All managers must have a thorough understanding of the risks involved in the activities under their control and actively work towards managing these risks. Each manager has a responsibility toward risk management.

2. ELEMENTS OF RISK MANAGEMENT

2.1 Assessing the nature and extent of the risks associated with the municipality's operations.

2.2 Deciding an acceptable level of loss or degree of failure.

2.3 Deciding how to manage (minimise) the risk.

2.4 Monitoring, reporting and from time to time re-assessing the level and implications of the risk exposure.

3. APPLICATION OF RISK MANAGEMENT

3.1 Risks must be identified and assessed and are essentially driven by the objectives that must be achieved.

3.2 Decisions must be taken with regard to minimising the municipality's exposure to risk, as well as to the potential effects of risks. The focus should be on an approach involving preventing risks from materialising, detecting the effects of risks as soon as possible and correcting or recovering from the consequences.

3.3 Risk management decisions must continuously involve a cost benefit analysis (considerations of economy). The cost of controlling (minimising) a risk must not exceed the benefits to the Municipality. Benefits can include the objective or subjective measurement of the cost to the organisation if the particular risk should materialise. (If it is not controlled what is the potential cost to the municipality?).

3.4 The identification, assessment and controlling of risks necessarily implies a specific management process including various stages and steps.

3.5 The controlling (minimising) of identified risks essentially refers to the development and implementation of risk management techniques.

3.6 Risk management entails, inter alia, a management culture that accepts that all business opportunities entail risk taking. The trade-off between success and failure and to decide what is an acceptable risk (having regard to its cost and other social or political factors) that a programme might not achieve any or all of its objectives.

3.7 A major component of risk management is the establishment of a fraud prevention plan which aims to manage the risk of fraud through cost-effective use of the control environment, information systems, control procedures and an ethical culture within the Municipality.

3.8 Risk shall be:

3.8.1 Identified on a case-by-case basis.

3.8.2 Allocated to the party best able to manage such risks.

3.9 The municipality should bear the cost of risks where the costs of transferring risk is greater than that of retaining such risk and transfer to risk where this is not the case.

3.10 The exercise of risk management in a proactive manner and providing adequately for the cover of residual risks.

3.11 Contract documentation clearly and unambiguously assigning relative risks to the contracting parties.

3.12 Risk management should form part of the business plan for the acquisition of all goods, services and works.

3.13 The municipality should either insure for procurement related physical risks, establish risk management programmes or make advance provision for losses associated with such risks. Suitable arrangements should also be made to ensure that insurance related excesses do not cause the failure of emerging small and micro enterprises.

3.14 GUARANTEES

3.14.1 Performance guarantees should be commensurate with the degree of contractual risk to which the municipality are exposed.

3.14.2 In cases of large and complex contracts, it is advisable to call for bid guarantees to circumvent the submission of irresponsible bids.

3.14.3 Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all the municipality's costs relating to such failure are likely to be recovered.

3.14.4 It would be prudent to make adequate provision in all engineering and construction works contracts to ensure that monies are available to rectify defects.

3.14.5 Performance bonds in engineering and construction works contracts should be waived in low value, low risk contracts or where a third party carries the risk of failure in an acceptable manner.

3.15 RISK MANAGEMENT SYSTEM

3.15.1 A supply chain management processes shall provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.

3.16 PROJECT MANAGEMENT

3.16.1 To be firstly effective, risk management should be managed as a project with written objectives, milestones and resources (people, time, finances, etc). The following aspects are highlighted:

3.16.1.1 Integrated control is essential to achieve the desired result.

3.16.1.2 The scope, timeframes, cost, other resources must all be investigated and documented.

3.16.1.3 The quality of the outcome must also be identified and quantified.

3.16.1.4 Risk management policies, plans and procedures, including duties and responsibilities, must be effectively communicated to all concerned.

3.16.1.5 All real or potential risks must be identified.

SECTION 10: DEMAND MANAGEMENT

1. SYSTEM OF DEMAND MANAGEMENT

1.1 The purpose of demand management is to translate the integrated development plan in the annual performance plans into current and future needs, to cost and budget for it.

1.2 The Accounting Officer shall establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.

1.3 The system has eight (8) specific sub-processes:

	Activity	**Responsibility**
1.3.1	Appointment of other members	Municipal Manager
1.3.2	Assessment of current and future needs	Municipal Manager & Heads of Departments
1.3.3	Assessment of current assets and determine the net requirements	Chief Financial Officer & Heads of Departments
1.3.4	Analysis of past expenditure	Chief Financial Officer & Budget & Reporting Officer
1.3.5	Analysis of the supplying industry	Chief Financial Officer & SCM Unit
1.3.6	Determine the optimum method to satisfy the needs	Chief Financial Officer & SCM Unit
1.3.7	Determine a sourcing strategy	Chief Financial Officer & SCM Unit
1.3.8	Formulate budget inputs	Heads of Departments and Budget & Reporting Officer

2. CROSS-FUNCTIONAL TEAM

2.1 Demand management will be a cross-functional exercise that bring the supply chain practitioners closer to the end user and ensures that value for money is achieved.

2.2 Cross-functional activities can be form part of the accounting officer's management meetings.

2.3 **COMPOSITION OF THE CROSS-FUNCTIONAL TEAM**

2.3.1 Municipal Manager (also the chairperson).

2.3.2 The Head of the Supply Chain Management Unit.

2.3.3 Heads of all departments.

2.3.4 Representative from Human Resources.

2.3.5 Representative from the Budget Office.

2.3.6 Any technical expertise as required.

2.4 **FUNCTIONS AND RESPONSIBILITIES**

2.4.1 To determine the current and future needs as required by the integrated development plan and to cost these requirements.

2.4.2 To formulate inputs for the 5-year strategic and performance plan, the annual performance plan and the operational plan.

2.4.3 To finalise the business plan for the next financial year.

3. ASSESSMENT OF CURRENT AND FUTURE NEEDS

3.1 The integrated development plan (IDP) shall be analysed in terms of goods, services and works required over the short and medium term.

3.2 Forecasting techniques could be used to determine the quantity of resources needed.

3.3 The IDP will also indicate where, when and the frequency of needs required.

3.4 Any critical delivery dates of resources must be noted.

4. ASSESSMENT OF CURRENT ASSETS AND DETERMINE NET REQUIREMENTS

4.1 The annual stocktake will give details on available stock (including assets).

4.2 The accounting records must be used to determine goods in transit.

4.3 The following list must be compiled:

4.3.1 List of redundant assets.

4.3.2 List of obsolete assets.

4.3.3 List of assets to be renewed.

4.4 With the abovementioned information the supply and demand requirements of each and every commodity and service can be determined to give the net requirements.

4.5 The net requirements are in terms of current and future needs to support the IDP.

5. AN ANALYSIS OF PAST EXPENDITURE

5.1 The expenditure in the past shall be analysed in terms of commodities and services purchased.

5.2

5.3 The following information must be noted:

5.3.1 Supplier / service provider.

5.3.2 The price.

5.3.3 The location of the supplier/service provider.

5.3.4 Availability of specifications/terms of reference.

5.4 If necessary compile the required specifications/terms of reference.

6. ANALYSIS OF THE SUPPLYING INDUSTRY

6.1 The supplying industries must be analysed to determine the following:

6.1.1 Name of the supplier/service provider.

6.1.2 What is available in terms of the specifications/terms of reference?

6.1.3 The current price and any discounts applicable.

6.1.4 The location of the goods.

6.1.5 The lead and delivery times.

7. DETERMINE THE OPTIMUM METHODS TO SATISFY NEEDS

7.1 Calculate the life cycle cost (LCC) of each commodity.

7.1.1 Lifecycle costing must include costs associated from the commencement of the budgeting process until the disposal phase.

7.2 Determine cost saving levers:

7.2.1 The levers for the saving of costs are transversal and therefore applicable to all SCM functions. Cost saving levers can be applied in the following areas:

7.2.1.1 Quicker and more effective and efficient procurement.

7.2.1.2 Just-in-time principle.

7.2.1.3 Value for money.

7.2.1.4 Term contracts for repetitive requirements.

7.2.1.5 Streamlined procedures and control measures.

7.2.1.6 Establishing trained and competent SCM officials.

7.2.1.7 Effective use of procurement stages.

7.2.1.8 Discount for early payments.

7.2.1.9 The regular management of cash flow.

7.3 Determine the net present value of each project.

7.4 Make use of economies of scale.

7.5 Determine total cost of ownership (TCO).

7.5.1 The TCO is used for decisions on ownership of assets. All costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply of the service (i.e. leasing)

7.5.2 The cost of ownership should be projected over several years to obtain a balanced result about the actual costs and the influence of the decision on future budgets.

7.6 The optimum method to satisfy the needs must be evaluated by the following dimensions to determine the optimum method:

7.6.1 Equity

7.6.1.1 Measures of equity would monitor the extent to which the municipality has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas.

7.6.2 Efficiency

7.6.2.1 Measures of efficiency seek to reflect how productively resources are translated into service delivery.

7.6.3 Economy

7.6.3.1 Measures of economy look at the cost of inputs, and mode of production to evaluate whether it is cost-effective.

7.6.4 Effectiveness

7.6.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objectives/goals.

7.6.5 Value for money

7.6.5.1 Indicators of value for money explore people's perceptions on whether resources have been well used to impact upon specific outcomes.

8. DETERMINE A SOURCING STRATEGY

8.1 With the information on current and future needs available the acquisition management practitioners can develop a sourcing strategy.

8.2 A sourcing strategy determines together with the strategic plan where the goods, services and works can be obtained. This does not imply that these requirements should be procured from outside sources only. Thus all possible methods of obtaining the requirements should be investigated.

8.3 The sourcing strategy shall address value for money principles, such as the just in time principle.

8.4 Cognisance shall be taken of the nature of the commodity or service required, the conditions of delivery, the prospective providers and the goals to be promoted.

8.5 Priorities shall be determined and risk management plans shall be developed by using the following sub-categories:

8.5.1 Non-critical (simple, low risk, low value goods/services).

8.5.2 Supportive (simple, low risk, but relatively high value goods/services).

8.5.3 Critical (high complexity, high risk, but relatively high value goods/services).

8.5.4 Risks can be transferred to providers where possible, by specifying risks to be carried by them and guarantees to be provided in this regard.

8.6 Strategic sourcing includes a streamlined approval process. The following serves as a guideline:

8.6.1 Increasing the threshold for purchasing manager approval.

8.6.2 Databases of authorised items can be automatically checked, excluding manual approval.

8.6.3 Approval against budgets without top management intervention. This eliminates the need for multiple managers to approve a purchase, which was already planned as part of the budget.

8.6.4 Limiting approvals to the appropriate level of knowledge and/or experience. Thus eliminating multiple approvals.

8.6.5 Streamline sign-off by means of after the facts audits (sampling) to ensure that purchasing guidelines are appropriately followed.

8.7 DETERMINING A SELECTION METHOD

8.7.1 The following methods should be used:

8.7.1.1 Available stock.

8.7.1.2 Sourcing from other government institutions.

8.7.1.3 Transversal term contracts.

8.7.1.4 Sourcing from the State Information Technology Agency approved suppliers.

8.7.1.5 Building, engineering or construction works.

8.7.1.6 Public Private Partnership

8.7.1.7 Quotations.

8.7.1.8 Competitive bidding.

8.7.1.9 List of redundant/obsolete material/goods from other institutions.

8.7.1.10 Negotiations.

9. GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

9.1. The acquisition and storage of goods in bulk (other than water) which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

9.2. Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

9.3. Proudly SA Campaign

The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly –suppliers and businesses within the municipality or district;

- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic of South Africa

10. PUBLIC-PRIVATE PARTNERSHIPS

10.1 The municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

10.1.1 Provide value for money to the municipality.

10.1.2 Be affordable for the municipality.

10.1.3 Transfer appropriate technical, operational and financial risk to the private party.

10.2 A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.

10.3 If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.

10.4 Before a public-private partnership is concluded, the municipality must conduct a feasibility study that:

10.4.1 Explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives.

10.4.2 Describes in specific terms:

10.4.2.1 The nature of the private party's role in the public-private partnership.

10.4.2.2 The extent to which a private party, both legally and by nature, can perform this role.

10.4.2.3 How the proposed agreement will:

- ❒ Provide value for money to the municipality.

- ❒ Be affordable for the municipality.

- ❒ Transfer appropriate technical, operational and financial risks to the private party.

- ❒ Impact on the municipality's revenue flows and its current and future budgets.

10.4.3 Take into account all relevant information.

10.4.4 Explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.

10.5 The National Government may assist the municipality in carrying out and assessing feasibility studies referred to in paragraph 12.4.

10.6 When a feasibility study has been completed, the Accounting Officer of the municipality must:

10.6.1 Submit the report on the feasibility study together with all other relevant documents to the Council for a decision, in principle, on whether the municipality should continue with the proposed public-private partnership.

10.6.2 At least 60 days prior to the meeting of the Council at which the matter is to be considered, in accordance with Section 21A of the Municipal Systems Act:

10.6.2.1 Make public particulars of the proposed public-private partnership, including the report on the feasibility study.

10.6.2.2 Invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership.

10.6.3 Solicit the views and recommendations of:

10.6.3.1 The National Treasury.

10.6.3.2 The national department responsible for local government.

10.6.3.3 If the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department.

10.6.3.4 Any other national or provincial organ of state as may be prescribed.

10.7 Before a municipality initiates a feasibility study for a public-private partnership, the Accounting Officer must:

10.7.1 Notify the National Treasury and the Provincial Treasury in writing of the municipality's intention, together with information on the expertise within the municipality to comply with that section of the Act.

10.7.2 If requested to do so by the National Treasury or the Provincial Treasury, appoint a person with appropriate skills and experience, either from within or outside the municipality, as the transaction advisor to assist and advise the municipality on the preparation and procurement of the public-private partnership agreement.

10.8 The above paragraph also applies when the municipality in terms of Section 78(2) of the Municipal Systems Act explores the provision of a municipal service through an external mechanism to be appointed in terms of a public-private partnership agreement.

10.9 A feasibility study must:

10.9.1 Identify and define the activity which the municipality proposes to outsource to a private party.

10.9.2 Assess the needs of the municipality in respect of such activity, including:

10.9.2.1 The various options available to the municipality to satisfy those needs.

10.9.2.2 The advantages and disadvantages of each option.

10.9.3 Access the projected impact of the proposed outsourcing of the activity to a private party on the staff, assets, liabilities and revenue of the municipality under the sole or shared control of the municipality which must include an assessment of:

10.9.3.1 The number of officials of the municipality that would become redundant as a result of the outsourcing of the activity.

10.9.3.2 The cost of the municipality of any staff retrenchments or the retention of redundant staff.

10.9.3.3 Any assets of the municipality proposed to be placed under the control of the private party.

10.9.3.4 Any assets of the municipality that would become obsolete as a result of the outsourcing of the activity.

10.9.3.5 Any liabilities of the municipality proposed to be ceded to the private party.

10.9.3.6 Any debt of the municipality attributed to the activity to be outsourced which the municipality would retain.

10.9.3.7 Any revenue to be foregone by the municipality as a result of the outsourcing of the activity.

10.9.4 Recommend an appropriate plan for the procurement of the proposed public-private partnership agreement, if outsourcing of the activity is the preferred option.

10.10 An assessment in terms of paragraph 12.9.2 must show comparative projections of:

10.10.1 The full costs to the municipality for the activity if that activity is not outsourced through a public-private partnership agreement.

10.10.2 The full costs to the municipality for the activity if that activity is outsourced through a public-private partnership.

10.11 Paragraphs 12.9 and 12.10 need not be complied with if the activity which the municipality proposed to outsource is a municipal service in respect of which an assessment in terms

of Section 78(3)(b) and a feasibility study in terms of Section 78(4) of the Municipal Systems Act have already been carried out, provided that:

10.11.1 Such assessment and feasibility study cover the matters referred to in paragraphs 12.9 and 12.10.

10.11.2 The documents reflecting the results of such assessment and feasibility study are included in the documents submitted to the Council.

11. COMPILATION OF SPECIFICATIONS / TERMS OF REFERENCE

11.1 The bid specification committee shall ensure specifications/terms of reference are drafted in an unbiased manner to allow all potential providers to offer their goods and services.

11.2 The specification/terms of reference shall indicate each specific goal for which points may be awarded in terms of the Preferential Procurement Policy Framework Act.

11.3 All specifications/terms of reference shall be approved by the Accounting Officer /or his delegate prior to publication of the invitation of bids.

11.4 Specifications must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

11.5 Specifications where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design.

11.6 Specifications may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification.

11.7 Specifications may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible

way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”.

SECTION 11: ACQUISITION MANAGEMENT

1. SYSTEM OF ACQUISITION MANAGEMENT

1.1 The Accounting Officer shall establish, through operational procedures, an effective system of acquisition management in order to ensure:

1.1.1 Goods and services shall only be procured in accordance with authorised processes.

1.1.2 Expenditure on goods and services may only be incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.

1.1.3 Threshold values of different procurement processes shall be complied with.

1.1.4 Bid documentation, evaluation and adjudication criteria, and general conditions of a contract, must be in accordance with applicable requirements, including:

1.1.4.1 The criteria prescribed in terms of the Preferential Procurement Policy Framework Act.

1.1.4.2 Any conditions of the Construction Industry Development Board as approved by the National Treasury, in the case of bids relating to construction.

1.1.5 Procurement guidelines issued by the National Treasury, including on the appointment of consultants, must be properly taken into account.

1.2 This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:

1.2.1 Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity.

1.2.2 Electricity from Eskom or another public entity, another municipality or a municipal entity.

1.3 The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system:

1.3.1 The kind of goods or services.

1.3.2 The name of the supplier.

2. COMPILATION OF LIST OF ACCREDITED PROSPECTIVE PROVIDERS

2.1 The Accounting Officer through the SCM unit shall keep a list of accredited prospective providers to be used to procure goods and services. This list shall be used effectively to promote the objectives of the Preferential Procurement Regulations. The Accounting Officer shall through local commonly circulated newspapers, website and by any other means possible, invite prospective providers to apply for evaluation and listing as an accredited prospective provider with Tswelopele Local Municipality. The listing criteria for accredited prospective providers should also be specified. Providers should be allowed to submit applications for listing at any time during the course of a financial year. The new applications shall be accredited by the Chief Financial Officer in terms of the framework to be determined by his/her office. The list should be updated at least quarterly if there are any applications received.

2.2 Once the list has been compiled per commodity and per type of service, quotations should be invited from such a list. The invitation of quotations from the compiled list of prospective providers per commodity should be done on rotational basis in such a manner that ongoing competition amongst providers is promoted, however ensuring value for money for the municipality.

2.3 Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers. If it is not possible to obtain quotations as per section 3.4 of this policy, the reasons should be recorded and approved by the Accounting Officer or his/her delegate. The Chief Financial Officer / SCM Unit may request quotations of service providers who are not listed on the database provided that they are not listed on the database of tender defaulters by National Treasury and the meet the

listing criteria (i.e. registered company; not listed as a company prohibited from doing business with state organs; VAT matters in order: where necessary).

2.4 The prospective provider list should be reviewed annually and invitations for listing as a prospective provider be advertised annually. A provider can be added to the list of prospective providers anytime within the financial year through the approval of the Accounting Officer or his/her delegate.

2.5 The Chief Financial Officer must prevent the listing of any prospective provider whose name appears on the National Treasury's database as person prohibited from doing business with the public sector.

2.6 When using the list of accredited prospective providers the Chief Financial Officer shall:

2.6.1 Promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However value for money be insured.

2.6.2 Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.

2.6.3 On a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.

2.6.4 Determine requirements for proper record keeping.

3. RANGE OF PROCUREMENT PROCESSES

3.1 GENERAL

3.1.1 Goods and services may not deliberately be split into parts or items of a lesser value merely to avoid following the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

3.1.2 The procurement of goods and services through this policy is provided by way of:

3.1.2.1 One written price quotation for procurements of a transaction value of up to R1 000 (VAT included).

3.1.2.2 Two written price quotation for procurements of a transaction value from R1 001 of up to R2 000 (VAT included).

3.1.2.3 Three written price quotations for procurements of transaction value over R 2 001 up to R 30 000 (VAT included).

3.1.2.4 Three formal written price quotations for procurements of transaction value over R 30 000 up to R 200 000 (VAT included). Preferential Procurement Framework provisions will be applied to the SP in this category.

3.1.2.5 A competitive bidding process for:

- ❒ Procurements above a transaction value of above R 200 000 (VAT included).

- ❒ The procurement of long term contracts.

3.2 The Accounting Officer may, in writing lower, but not increase, the different threshold values specified in subparagraph 3.1.2.

3.3 **WRITTEN QUOTATIONS: UP TO AN ESTIMATED VALUE OF R 2 000 (VAT included)**

3.3.1 The Accounting Officer or delegate may procure goods and services to an estimated value of R 2 000 (vat included) by requesting quotations from different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy to the extent feasible, providers must be requested to submit such quotations in writing. If it is not possible to obtain at least two quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer. Prior, to approval, written explanation and proof must be provided to the CFO/Accounting Officer. The names of the potential suppliers and

their quoted prices must be recorded. The order should always be placed against written confirmation from the selected supplier by way of quotation.

3.4 **WRITTEN PRICE QUOTATIONS ABOVE R 2 000 TO R 30 000 (VAT INCLUDED)**

3.4.1 The Accounting Officer / delegate shall invite and accept written price quotations for goods and services from above R 2 001 (vat included) to R 30 000 (vat included) from as many suppliers as possible (refer to 3.1), that are registered on the list of accredited prospective suppliers or those who meet the criteria to be listed on the database. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Accounting Officer/Chief Financial Officer.

3.4.2 Quotations may be obtained from providers who are not listed in consultation with the CFO, provided that such providers meet the listing criteria in the supply chain management policy.

3.4.3 The CFO shall record the names of the potential providers and their quoted prizes or attach such quotation received to the payment voucher.

3.4.4 When using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However value for money shall be insured.

3.4.5 That the Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused.

3.4.6 The Accounting Officer must determine the requirements for proper record keeping.

3.5 **PROCUREMENT OF GOODS AND SERVICES EQUAL TO OR ABOVE R30 000 (vat included)**

3.5.1 The Accounting Officer may apply the prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated regulations for all procurement equal to and above R30 000 (vat included) where possible, however, these prescripts may be

applied for procurement with a value of less that R30 000 (vat included) if and when appropriate.

3.5.2 That all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must be advertised for at least seven days on the website and an official notice board of the municipality.

3.5.3 Where quotations have been invited via the official notice boards and website of the municipality, no additional quotations need to be obtained should the number of responses be less than three.

3.6 GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

3.6.1 A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:

3.6.1.1 Has furnished that provider's:

- ❒ Full name
- ❒ Identification number or company or other registration number.
- ❒ Tax reference number and VAT registration number, if any.

3.6.1.2 The Accounting Officer shall ensure that, irrespective of the procurement process followed, no award above R30 000 (vat included is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

- ❒ Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order. A valid tax clearance certificate is sufficient in this regard. A copy of the tax clearance certificate may be accepted for awards not subjected to competitive bidding process provided the dates on the certificate are still valid.

- ❒ SARS can also be consulted as a secondary measure, and if SARS does not respond within 7 days such person's tax matters may be presumed to be in order.

3.6.1.3 Has indicated:

- ❒ Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.

- ❒ If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.

- ❒ Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in the subparagraph above is in the service of the state, or has been in the service of the state in the previous twelve months.

- ❒ If the provider is an advisor or consultant contracted with the municipality.

3.7 COMPETITIVE BIDDING PROCESS

3.7.1 Goods or services above a transaction value of more than R 200 000.00 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to section 11, paragraph 1.2 of this policy.

3.7.2 No requirement for goods or services above an estimated transaction value of R 200 000.00 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

3.7.3 The Accounting Officer shall invite competitive bids for all the procurement per case above the estimated value of R 200 000.00 by means of a public advertisement <u>except where provided for alternative method by this policy or SCM regulations or the Act.</u>

3.7.4 A case is regarded as the consolidated requirement of related items (items of a common commodity group, e.g. grouping items of stationery together) that exists at a given point in

time. It should cover the total quantities and estimated value (VAT included) of all the items concerned for complete service or supply.

3.7.5 The prescripts of the Preferential Procurement Policy Framework Act, Act No 5 of 2000 and its associated Regulations should be adhered to.

3.7.6 Bids should be advertised at least in a commonly circulated newspaper in the municipal area of jurisdiction and municipal website to ensure exposure to potential bidders. Bids may be advertised in the Government Tender Bulletin if and when determined by the Accounting Officer.

3.7.7 The 90/10 principle must be applied for contracts above R1 000 000 (vat included).

3.7.8 The 80/20 principle must be applied for contracts from R30 000 and to the value of R1 000 000 (vat included).

3.7.8.1 Preferential points will be determined by the Chief Financial Officer or bid specification committee in consultation with the Accounting Officer depending on the nature of procurement.

3.7.9 Process for competitive bidding

3.7.9.1 The process for competitive bidding has eight (8) distinct stages:

- ❒ The compilation of bid documentation.
- ❒ The public invitation of bids.
- ❒ Site meetings or briefing sessions, if applicable.
- ❒ The handling of bids submitted in response to the public invitation.
- ❒ The evaluation of bids.
- ❒ The award of contracts.

- ❒ The administration of contracts.

- ❒ Proper record keeping.

3.7.10 Bid documentation for competitive bids

3.7.10.1 The Accounting Officer must establish the criteria to which bid documentation for a competitive bidding process must comply.

3.7.10.2 The bid documentation shall be in accordance with:

- ❒ At least the general conditions of contract and supply chain management guidelines of National Treasury.

- ❒ The requirement of the Construction Industry Development Board as approved by National Treasury in the case of a bid relating to the construction, upgrading or refurbishment of buildings or infrastructure.

- ❒ Bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the PPPFA and its related Regulations.

- ❒ Bid documents will be sold at the amount to be determined by the Chief Financial Officer and approved by the Accounting Officer of the municipality.

3.7.10.3 All bidders are compelled to declare any conflict of interest they may have in a specific bid.

3.7.10.4 If the value of the transaction is expected to exceed R10 million (VAT included) bidders have to furnish:

- ❒ If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements:

 - For the past three years, or

- Since their establishment if established during the past three years.

❒ A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal or other service providers in respect of which payment is overdue for more than 30 days.

❒ Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract.

❒ A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, an, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic.

3.7.10.5 All bidders are compelled to furnish their tax reference/registration number and identification numbers where applicable.

3.7.10.6 Bid disputes are to be settled by means of mutual consultation, mediation (with or without legal representation) or when unsuccessful, in a South African court of law.

3.7.10.7 Bids are advertised in at least a commonly circulated newspaper, at least 14 days before closure, except in urgent cases when bids may be advertised for such shorter period as the Accounting Officer may determine.

3.7.10.8 Furthermore, the following shall take place:

❒ All bids or offers must be submitted in writing on the prescribed bid documentation in a sealed marked envelope and must be deposited by the bidders themselves or their appointed representatives into the designated Bid Box by no later than the date and time stipulated in the bid documents.

❒ There shall always be a unique reference number and title or description for each bid advertised, in order to avoid any ambiguity that could result in respect thereof.

- ❒ The closing date and time of each bid invitation shall be chosen carefully or systematically.

- ❒ There shall be suitable and dedicated staff to handle all queries in respect of any bids.

- ❒ All prospective bidders shall be provided with similar bid information, with no bidder having competitive advantage over another.

- ❒ The policies, procedures and protocols published in the bid documentation must always be adhered to. Any subsequent changes thereto must be communicated to all bidders.

- ❒ There must be a formal line of communication to ensure consistency of communication.

- ❒ All communication regarding the bid should preferably be in writing, filed and recorded.

- ❒ Tswelopele Local Municipality will ensure that the costs of obtaining bid documentation, the availability thereof and bid requirements do not disadvantage potential bidders in any way.

- ❒ If it is desirable to amend, alter or replace samples, specifications, copies or conditions subsequent to the closing date and time, and before notification of acceptance has been given, new bids shall be invited.

- ❒ The Chief Financial Officer in consultation with the senior manager concerned may, if necessary, communicate with bidders and prospective bidders prior to bid closing in order to supply additional information or to clarify vague points in the bid documents.

3.7.11 Public invitation for competitive bids

3.7.11.1 Any invitation to prospective providers to submit bids shall be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality

and any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).

3.7.11.2 The information of a public advertisement must include the closure date for the submission of bids, which may not be less that 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case.

- ❒ A statement that bids may only be submitted on the bid documentation provided by the municipality.

3.7.11.3 The Accounting Officer may determine a closure date for the submission of bids which is less that the 30 or 14 days requirements, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

3.7.11.4 Bids submitted must be sealed.

3.7.11.5 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

4. TWO-STAGE BIDDING PROCESS

4.1. A two-stage bidding process is allowed for –

(a) large complex projects;

(b) projects where it may be undesirable to prepare complete detailed technical specifications; or

(c) long term projects with a duration period exceeding three years.

4.2. In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

4.3 In the second stage final technical proposals and priced bids should be invited.

5. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

5.1 The Supply Chain Management Unit of Tswelopele Local Municipality will be responsible for the receipt and opening of all bids.

5.2 The following procedures shall be followed:

5.2.1 Bids may be opened only in public (except when members of the public are not present at the time of opening the bid box).

5.2.2 A bid box must be opened immediately after each bid has closed by at least one SCM official of Tswelopele Local Municipality and at least one member of the Bid Committee of Tswelopele Local Municipality.

5.2.3 Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price. If the bid consist of more than one item, the official may at his discretion, decide on whether or not all of the items should be read out.

5.2.4 All the bids that have been deposited into the bid box and opened must be recorded in a bid register.

5.2.5 All opened bids must be date stamped and individually initialled in ink on each material page by the abovementioned officers. Any errors must also be initialled as above.

5.2.6 Any deposits or securities received with bids must be handed to the financial officer for official acknowledgement of receipt thereof.

5.2.7 The name of the bidders and amount of the bid must be recorded in the bid register and handed to the responsible person, who will acknowledge in writing receipt thereof.

5.2.8 The bid register shall be locked in a safe place for subsequent bid evaluations.

5.2.9 All bid documentation via telegram, e-mail, telex, facsimile or other method other than the prescribed method before, on or after the closing date and time must be registered and should not be considered and returned unopened immediately.

5.2.10 The specified date and/or time will be registered in the bid register and marked “late bid”, these bids will be rejected and not be considered.

5.2.11 Bids received after the closing time shall not be considered and will be returned unopened immediately where possible.

5.2.12 Bids results shall be displayed on official notice boards and municipal website.

5.2.13 Make the register available for public inspection.

5.2.14 Publish the entries in the register and the bid results on the website.

6. NEGOTIATIONS WITH PREFERRED BIDDERS

6.1 The Accounting Officer / Chief Financial Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation:

6.1.1 Does not allow any preferred bidder a second or unfair opportunity.

6.1.2 Is not to the detriment of other bidders.

6.1.3 Does not lead to a higher price than the bid as submitted.

6.1.4 Minutes of such negotiations must be kept for record purposes.

7. EVALUATION AND AWARDING OF BIDS

7.1 Bids will be evaluated in terms of the point system as laid out in the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)

8. APPROVAL OF BIDS NOT RECOMMENDED

8.1 If a bid other than the one recommended in the normal course of implementing the supply chain management policy is approved, the Accounting Officer must, in writing notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

8.2 The above does not apply if a different bid was approved in order to rectify an irregularity.

9. UNSOLICITED BIDS

9.1. In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

9.2. The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if:

9.1.1 The product or service offered in terms of the bids is a unique innovative concept that will be exceptionally beneficial to or have exceptional cost advantages for the municipality.

9.1.2 The person who made the bid is the sole provider of the product or service.

9.1.3 The reasons for not going through the normal biddings processes are found to be sound by the Accounting Officer.

9.1.4 The need for the product or service by the municipality has been established during its annual performance planning and budgeting process.

9.2 If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph 9.1 of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with:

9.2.1 Reasons as to why the bid should not be open to other competitors.

9.2.2 An explanation of the potential benefits if the unsolicited bid were accepted.

9.2.3 An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

9.3 All written comments received pursuant to subparagraph 9.2 including any responses from the unsolicited bidder, must be submitted to the National Treasury and the provincial treasury for comment.

9.4 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.

9.5 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

9.6 When considering the matter, the adjudication committee must take into account:

9.6.1 Any comments submitted by the public.

9.6.2 Any written comments and recommendations of the National Treasury or the provincial treasury.

9.7 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor-General, the provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

9.8 Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

10 NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME

10.1 Before awarding a contract above R100 million which is subject to the National Industrial Participation Programme, the Accounting Officer must obtain clearance for the recommended bidder from the Department of Trade and Industry. If the Accounting Officer receives no

response within 30 days of the request, this clearance of the recommended bidder as a precondition for the award of the contract falls away.

11 PROCUREMENT OF IT RELATED GOODS AND SERVICES

11.1 Accounting Officer may seek specialised advice from SITA in acquisition of it related goods and services.

11.2 The Accounting Officer may request the State Information Technology Agency (SITA) to assist the municipality with the acquisition of IT related goods or services through a competitive bidding process.

11.3 The parties must enter into a written agreement to regulate the services rendered by and the payments to be made to SITA.

11.4 The Accounting Officer must notify SITA together with a motivation of the IT needs if:

11.4.1 The transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included).

11.4.2 The transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

11.5 If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor-General.

12 PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

12.1 The Accounting Officer may procure goods or services for the municipality under a contract secured by another organ of state, but only if:

12.1.1 The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state.

12.1.2 That other organ of state and the provider have consented to such procurement in writing.

12.1.3 There is no reason to believe that such contract was not validly procured.

12.1.4 There are demonstrable discounts or benefits to do so.

13 APPOINTMENT OF CONSULTANTS

13.1 The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

13.2 Consultancy services shall be procured through competitive bids if:

13.2.1 The value of the contract exceeds R 200 000.00 (VAT included).

13.2.2 The duration period of the contract exceeds one year.

13.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of:

13.3.1 All consultancy services provided to an organ of state in the last five years.

13.3.2 Any similar consultancy services provided to an organ of state in the last five years.

13.4 The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

13.5 The Accounting Officer may appoint the Panel of Consultants to assist the Municipality to evaluate the bids for the appointment of the Consultants in the case whereby the municipality does not have necessary capacity for appointment of such consultant.

14 DEVIATION FROM OFFICIAL PROCUREMENT PROCESSES

14.1 The Accounting Officer may dispense with the official procurement processes established by the policy to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

14.1.1 In an emergency.

14.1.2 If such goods and services are produced or available from a single provider only.

14.1.3 For the acquisition of special works of art or historical objectives where specifications are difficult to compile.

14.1.4 Acquisition of animals for zoos and/or nature and game reserves.

14.1.5 In any other exceptional case where it is impractical to follow the official procurement processes.

14.2 The Accounting Officer must record the reasons for any deviation and report them to the next meeting of the council and include as a note to the annual financial statements.

14.3 The above does not apply to the procurement of goods and services in respect of the following:

14.3.1 If the municipality contracts with another organ of state for:

14.3.1.1 The provision of goods or services to the municipality.

14.3.1.2 The provision of a municipal service or assistance in the provision of a municipal service.

14.3.1.3 The procurement of goods and services under a contract secured by that other organ of state, provided that the relevant supplier has agreed to such procurement.

14.4 The Accounting Officer may ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

15 URGENT PROCUREMENT

15.1 Irrespective of monetary value, an urgent procurement process will only apply where early delivery is of critical importance and the utilisation of the standard procurement process is either impossible, or impractical.

16 EMERGENCY PROCUREMENT

16.1 Irrespective of monetary value, an emergency procurement process will only apply in serious, unexpected and potentially dangerous circumstances which require immediate rectification:

16.1.1 In the event of a threat or interruption in the municipality's ability to execute its mandate.

16.1.2 In the event of an immediate threat to the environment or human safety.

17 CONTRACTS AND CONTRACT MANAGEMENT

17.1 A contract or agreement procured through the supply chain management system of a municipality shall:

17.1.1 Be in writing.

17.1.2 Stipulate the terms and conditions of the contract or agreement, which must include provisions providing for:

17.1.2.1 The termination of the contract or agreement in the case of none or underperformance.

17.1.2.2 Dispute resolution mechanisms to settle disputes between the parties.

17.1.2.3 Any other matters that may be prescribed.

17.2 The Accounting Officer shall:

17.2.1 Take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced.

17.2.2 Monitor on a monthly basis the performance of the contractor under the contract or agreement.

17.2.3 Establish capacity in the administration of the municipality:

17.2.3.1 To assist the Accounting Officer in carrying out the duties set out in the above sub-paragraphs.

17.2.3.2 To oversee the day-to-day management of the contract or agreement.

17.2.4 Regularly report to the Council of the municipality on the management of the contract or agreement and the performance of the contractor.

17.3 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after:

17.3.1 The reasons for the proposed amendment have been tabled in the Council of the municipality.

17.3.2 The local community:

17.3.2.1 Has been given reasonable notice of the intention to amend the contract or agreement.

17.3.2.2 Has been invited to submit representations to the municipality.

17.4 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

17.4.1 The municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations of the

municipality beyond the three years covered in the annual budget for that financial year, it may do so only if:

17.4.1.1 The Municipal Manager, at least 60 days before the meeting of the Municipal Council at which the contract is to be approved:

17.4.1.1.1 In accordance with Section 21(a) of the Municipal Systems Act:

17.4.1.1.1.1 Made public the draft contract and an information statement summarising the municipality's obligation in terms of the proposed contract.

17.4.1.1.1.2 Invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract.

17.4.1.1.2 Has solicited the views and recommendations of:

17.4.1.1.2.1 The National Treasury and the Provincial Treasury.

17.4.1.1.2.2 The national department responsible for local government.

17.4.1.1.2.3 The national department, responsible for the provision of water, sanitation, electricity, or any other service as may be prescribed.

17.4.1.2 The Municipal Council has taken into account:

17.4.1.2.1 The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract.

17.4.1.2.2 The impact of those financial obligations on the municipality's future municipal tariffs and revenue.

17.4.1.2.3 Any comments or representations on the proposed contract received from the local community and other interested persons.

17.4.1.2.4 Any written views and recommendations on the proposed contract by the National Treasury, the Provincial Treasury, the national department responsible for local government and any national department referred to in paragraph 17.4.1.1.

17.4.1.3 The Municipal Council has adopted a resolution in which:

17.4.1.3.1 It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract.

17.4.1.3.2 It approves the entire contract exactly as it is to be executed.

17.4.1.3.3 It authorises the municipal manager to sign the contract on behalf of the municipality.

17.4.2 All contracts referred to in the paragraph above and all other contracts that impose a financial obligation on a municipality:

17.4.2.1 Must be made available in their entirety to the Municipal Council.

17.4.2.2 May not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No 2 of 2000).

17.5 CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

17.5.1 If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected the contract between the services and the municipality must stipulate:

17.5.1.1 A cap or percentage on the compensation payable to the service provider.

17.5.1.2 That such compensation must be performance based.

17.6 OBJECTIONS AND COMPLAINTS

17.6.1 Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

17.7 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

17.7.1 The Accounting Officer must appoint an independent and impartial person, not directly involved in the supply chain management processes:

17.7.1.1 To assist in the resolution of disputes between the municipality and other persons regarding:

17.7.1.1.1 Any decisions or actions taken in the implementation of the supply chain management system.

17.7.1.1.2 Any matter arising from a contract awarded in the course of the supply chain management system.

17.7.1.2 To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

17.7.2 The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.

17.7.3 The person appointed must:

17.7.3.1 Strive to resolve promptly all disputes, objections, complaints or queries received.

17.7.3.2 Submit monthly reports to the Accounting Officer on all disputes, objections complaint or queries received, attended to or resolved.

17.7.4 A dispute, objection, complaint or query may be referred to the relevant provincial treasury if:

17.7.4.1 The dispute, objection, complaint or query is not resolved within 60 days.

17.7.4.2 No response is forthcoming within 60 days.

17.7.5 If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

17.7.6 This paragraph must not be read as affecting a person's rights to approach a court at any time.

18 PROCUREMENT OF PUBLIC-PRIVATE PARTNERSHIPS

18.1 PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS

18.1.1 The Accounting Officer shall solicit the views and recommendations of the National Treasury and the Provincial Treasury on:

18.1.1.1 The proposed bid documentation at least 30 days before bids are publicly invited.

18.1.1.2 The evaluation of the bids received and of any preferred bidder at least 30 days before any award is made.

18.1.2 An award of a public-private partnership agreement:

18.1.2.1 May be made only after the process set out for PPPs of this policy has been completed.

18.1.2.2 Is subject to compliance with Section 33 of the Act (contracts having future budgeting implications)

18.1.3 When complying with the PPP portion of this policy, the municipality must specifically solicit the views and recommendations of the National Treasury on:

18.1.3.1 The proposed terms and conditions of the draft public-private partnership agreement.

18.1.3.2 The municipality's plan for the effective management of the agreement after its conclusion.

18.1.3.3 The preferred bidder's:

18.1.3.3.1 Competency to enter into the public-private partnership agreement.

18.1.3.3.2 Capacity to comply with his or her obligations in terms of the public-private partnership agreement.

18.2 BASIC REQUIREMENTS TO WHICH PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS MUST COMPLY

18.2.1 A public-private partnership agreement between the municipality and a private party must:

18.2.1.1 Provide value for money to the municipality.

18.2.1.2 Be affordable for the municipality.

18.2.1.3 Describe in specific terms the nature of the private party's role in the public-private partnership.

18.2.1.4 Confer effective powers to the municipality:

18.2.1.4.1 To monitor implementation of, and to assess the private party's performance under, the agreement.

18.2.1.4.2 To mage and enforce the agreement.

18.2.1.5 Impose financial management duties on the private party, including transparent processes relating to internal financial control, budgeting, accountability and reporting.

18.2.1.6 Provide for the termination of the agreement if the private party:

18.2.1.6.1 Fails to comply with terms or conditions of the agreement.

18.2.1.6.2 Deliberately provides incorrect or misleading information to the municipality.

18.2.1.7 Restrain the private party, for the full period of the agreement, from offering otherwise than in accordance with the agreement an employment, consultancy or other contract to a person:

18.2.1.7.1 Who is an official of the municipality under the sole or shared control of the municipality.

18.2.1.7.2 Who was such an official at any time during a period of one year before the offer is made.

18.2.1.8 Restrain the private party, for a period of three years, from offering an employment, consultancy or other contract to an employee of the municipality directly involved in the negotiation of the agreement.

18.2.1.9 Comply with section 116(1) of the Act.

18.2.2 Any municipal employee participating in the negotiation of the public-private partnership agreement may not be employed by the private party in the public-private partnership for a period of three years.

18.3 SIGNING OF PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS

18.3.1 Only the Accounting Officer may sign a public-private partnership agreement on behalf of the municipality.

18.3.2 The Accounting Officer may not sign a public-private partnership agreement unless Section 33 of the Act has been complied with.

18.4 PROJECT OFFICERS

18.4.1 Prior to notifying the National Treasury the Accounting Officer must appoint a person with appropriate skills and experience, either from within or outside the municipality, as the project officer for the public-private partnership.

18.4.2 The project officer is responsible for performing:

18.4.2.1 The duties set out in Section 116(2)(c)(i) and (ii) of the Act.

18.4.2.2 Any other duties or powers delegated by the Accounting Officer to the project officer in terms of Section 79 of the Act.

18.5 RESPONSIBILITIES OF ACCOUNTING OFFICER

18.5.1 The Accounting Officer must, in addition to complying with Section 116(2) of the Act, take all reasonable steps to ensure:

18.5.1.1 That the outsourced activity is effectively and efficiently carried out in accordance with the agreement.

18.5.1.2 That municipal property, which is placed under the control of the private party in terms of the agreement, is appropriately protected against forfeiture, theft, loss, wastage and misuse.

18.5.1.3 That the municipality has contract management and monitoring capacity.

18.6 AMENDMENT OF PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS

18.6.1 A public-private partnership agreement may be amended by the parties provided:

18.6.1.1 Section 116(3) of the Act has been complied with.

18.6.1.2 The amendment is consistent with the basic essentials of public-private partnership agreements.

18.6.2 At least 60 days before a public-private partnership agreement is amended, the Accounting Officer must solicit the views and recommendations of the National Treasury and the Provincial Treasury on the reasons for the amendment. The period may be shortened if the National Treasury and relevant Provincial Treasury respond earlier.

19 PROCUREMENT OF BANKING SERVICES

19.1 Banking services must be procured through competitive bidding process, must be consistent with section 7 of the MFMA and may not be for a period of more than five years at a time.

19.2 The process for procuring a contract for banking services shall commence at least nine months before the end of an existing contract.

19.3 The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990).

19.4 The procedure for the invitation of competitive bids, is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of Tswelopele Local municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and

(b) the information contained in a public advertisement, must include –

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
(ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
(ii) date, time and venue of any proposed site meetings or briefing sessions.;

20. EXTENDING THE CONTRACT

20.1 Tswelopele Local Municipality in its sole discretion reserves the right to extend the contract or modify the original scope of work without re-bidding, after the conclusion of a contract, if -

[a] due to unforeseen circumstances additional work must be done in order to complete the contract based on the original objective as per the original enquiry document. The revised amount shall however not exceed 20% of the original contract price or

R500 000.00 for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

[b] The relevant director under which the project is running shall write a motivation starting why a variation of scope should be considered to the Accounting Officer. The Accounting Officer must receive a report from the CFO prior to considering and approving a variation order.

21. Roster system

21.1. For the purpose of this policy, the rooster systems means procurement of goods or services without undertaking competitive bidding process or requesting at least three quotations from service providers. This means that the appointment will be done through a rotational basis without getting three quotations or without undergoing competitive bidding process (where it could be ascertained that the amount will exceed R200 000.00).

21.2 The following services shall be procured through a rooster system as and when the services are required. This means that these services will be procured by rotating service providers:

SERVICE	BASIS FOR A ROOSTER SYSTEM
Advertising	The quotations will not always be the same as advertising media reaches different target market. For example, an advert on the Volksblad and City Press will not be the same due to different target market (readers the newspaper is able to reach) and as result the cheapest one will not necessarily mean that the municipality will be able to reach its target market. So in this case one quotation will suffice.
Travel agent services	The travel agents will be used on a rooster system / rotational basis without requesting three quotations. It is not always possible for the Travel Agent to quote the price well in advance as they are not sure of the actual cost. For example, a booking / quotation might be based on five days and the municipal delegate end up staying for three days only.

	The municipality cannot now pay the total fees that were based on five days even if the delegate stayed only for three days. For this purpose, an invoice from the Travel agent shall suffice.
Legal Services	Because of the nature of the service, it not always possible to determine how much will be the actual cost for providing this service. As such it becomes impossible to request three quotations. For example, if the municipality is being sued by external parties, it is not possible how long the case will take. It is sometimes not possible ascertain at which Court of law will the case be finalised. The longer it takes and the higher the court of law, the more expensive it becomes. Furthermore, an attorney maybe appointed simply on the basis that he/she has been handling the case previously or he/she has handled a similar case for the municipality. As such legal services / attorneys will be appointed on a roster / rotational basis without necessarily advertising or requesting three quotations.
Courier services	It is not possible to get quotations from courier services as they / company need to know the destination of the parcel being couriered as well as the weight. In light of the fact that weighing of the parcel has to be done at their premises, it becomes impossible to get a quote in advance. Furthermore, the parcel will have to be sent to the premises of other two courier companies to also get weighting before quotes can be issued. This will attract cost prior to the actual costs of providing the courier services.
Services provided by a system supplier / provider and training thereon	The services will be procured directly the service provider without necessarily going for competitive bidding process or calling for three quotations.

	For example, if the municipality experience technical problem with the financial system, Sebata FMS, who is system provider, is in a better position for resolve the problem as such it is not necessary to get three quotations. The same as any training on any module which is part of the system. The system provider will be in a better position to provide training on the system that their competitors.
Fault-finding and quote (strip-and-quote) services	It is necessary sometimes that services provider have to find a fault prior to them providing us with a quotation (that is the item which needs repairs need to stripped and the quoted based on what needs to be repaired). The Supply Chain Division will accept only one quotation for strip and quote as suppliers charge the Municipality for such strip and quote. At the moment is costing the Municipality to pay different suppliers for strip and quote, and also it is impractical to obtain three quotations for such goods and services.

SECTION 12: LOGISTICS MANAGEMENT

1 CONTRACT MANAGEMENT

1.1 MANAGING THE CONTRACT

1.1.1 The Accounting Officer shall take all reasonable steps to ensure that a contract or agreement procured through the SCM policy of Tswelopele Local Municipality is properly enforced.

1.1.2 Both the user department and the SCM unit have a responsibility towards managing a contract.

1.1.3 The nature of the responsibility will determine who manages the specific contractual aspect.

1.2 CONTRACT MONITORING

1.2.1 The Accounting Officer shall monitor on a monthly basis the performance of the contractor under the contract or agreement.

1.2.2 The Accounting officer shall regularly report to the Council on the management of the contract or agreement and the performance of the contractor.

1.2.3 Constant monitoring is essential to ensure that contractual obligations are met and that contracts run with as little disruption as possible.

1.2.4 The SCM Unit is responsible for notifying the user department timely of term contract expiry that will allow the user department sufficient time to decide whether to renew the contract.

1.2.5 The user department must ensure that the contractor performs according to the stipulations of the contract in delivering the goods or services on time, in the correct quantity and to the required standard.

1.2.6 Regular meetings with contractors to discuss progress, deliverables, foreseeable problems and/or amendments must be held during the contract period.

1.3 TRADEMARK/BRAND NAME

1.3.1 If a bid is accepted for a particular trademark/brand name, that trademark/brand name must appear on the product and substitute products must not be accepted.

1.4 NON-CONTRACTUAL PURCHASES

1.4.1 Small quantities of supplies or minor services may be procured outside of the contract in the following circumstances:

1.4.1.1 In cases of emergency; or

1.4.1.2 When the contractor's point of supply is not situated at or near the place where the supply or service is required; or

1.4.1.3 If the contractor's supplies or services are not readily available.

1.4.2 Purchases outside the contract must be restricted to requirements that are absolutely necessary to satisfy the immediate requirement and the action must always be justifiable against the contract conditions.

1.4.3 Acquisitioning procedures must in all instances be followed when procuring outside of existing contracts**.**

1.5 OVER-/UNDER DELIVERIES

1.5.1 Over- and under-deliveries may be accepted in accordance with the Accounting Officer’s delegated powers.

1.6 UNSATISFACTORY PERFORMANCE

1.6.1 The Accounting Officer shall continuously communicate unsatisfactory performance to contractors in writing compelling the contractor to perform according to the contract and thus to rectify or to restrain from unacceptable actions.

1.7 LATE DELIVERIES

1.7.1 The GCC states that delivery of supplies shall be made in accordance with the conditions specified in the contract.

1.7.2 Before action due to late delivery is instituted against a contractor who has offered a firm delivery period, the circumstances under which the late delivery took place must be investigated. There may be valid reasons for the late delivery, which are beyond the control of the contractor, in which case action cannot be taken summarily against the contractor.

1.7.3 On the other hand, contractors must be allowed to delay deliveries repeatedly even where non-firm delivery periods have been offered. Wherever possible, firm delivery periods must be insisted upon before a bid is accepted, as well as when the issue of late deliveries crops up during the period of a contract.

SECTION 13: DISPOSAL MANAGEMENT

1. SYSTEM OF DISPOSAL MANAGEMENT

19.5 The disposal management procedure manual shall provide for an effective system for the disposal or letting of assets no longer needed, including unserviceable, redundant or obsolete assets, subject to section 14 of the MFMA.

19.6 Disposal is managed by the following two (2) sub-processes:

19.6.1 Disposal planning.

19.6.2 Determining methods of disposal.

20 DISPOSAL PLANNING

20.1 OBSOLESCENCE PLANNING

20.1.1 Action to eliminate the obsolete item need only be taken when the stock level threatens the availability of the equipment.

20.1.2 For the period leading up to upgrades, in-service equipment will be managed to only maintain current capability and availability.

20.1.3 Anticipating and solving obsolescence problems is considerably cheaper than waiting until later when major equipment redesign is called for and equipment availability is threatened. Requiring higher shorter-term costs, a policy of spend to save needs therefore to be adopted.

20.1.4 A proactive approach to the identification of potential obsolescence risks is necessary. Once identified, each obsolescence risk needs to be assessed to determine its criticality.

20.1.5 What is crucial to the assessment of obsolescence risk is not the time at which a unit or component goes obsolete, but when as a result of the obsolescence, equipment availability will be threatened, the factors are:

20.1.5.1 Criticality point

20.1.5.1.1 This is the point in time at which availability of the equipment is threatened by lack of parts and/or spares.

20.1.5.2 Cost impact

20.1.5.2.1 This is determined by the expected costs that would be incurred to solve the problem if no action is taken until the time of occurrence of the obsolescence.

20.1.5.3 Prioritisation

20.1.5.3.1 Prioritise all current obsolescence risk by order of the point of criticality and in order of cost. The most critical will then need to be considered further for resolution of the specific problems.

20.1.6 For each obsolescence risk, it needs to be decided what technology option is to be adopted, the support which is to be provided, the contracting arrangements needed, the maintenance policy which is implied and the identification of any consequential risks.

20.1.7 Whatever techniques are chosen for managing obsolescence, solid configuration management and well disciplined change control procedures must be employed in order to ensure that a correct picture is available of the current equipment situation and of all the configuration options which are available for implementation.

20.2 RENEWAL PLANNING

20.2.1 The asset renewal-planning phase involves the assessment of existing assets and planned acquisitions against IDP requirements.

20.2.2 Proposals for new assets must be justified by a thorough evaluation of all IDP options.

20.2.3 The municipality should develop IDP strategies which:

20.2.3.1 Define the scope, standard and level of programme services to be delivered.

20.2.3.2 Assess the methods of delivering these services.

20.2.3.3 Determine, where appropriate, methods of containing the demand for the services.

20.2.3.4 Identify the resources including assets, required to deliver the services. Service options need to be evaluated on financial, economic, social and environmental grounds.

20.2.4 The evaluation of existing assets determines whether their performance is adequate to support the selected service delivery strategy. This process presupposes that appropriate condition and performance standards are set for assets. Asset performance is to be reviewed regularly against best practice benchmarks to identify assets that are under-performing, or costly to own or operate.

20.2.5 The evaluation should reveal assets that provide more than their required capacity, or are surplus to requirements. Assets that have been inadequately maintained may pose potential safety or health risks, disrupt essential services, or incur unforeseen expenditure for the correction of defects. Replacement may be a possible option in this case.

20.2.6 All assets currently being used to deliver the service under consideration need to be identified and registered. How effectively these assets support service requirements also have to be determined. As part of this process, assets should be evaluated in terms of their:

20.2.6.1 Physical condition

20.2.6.1.1 Is the asset adequately maintained?

20.2.6.1.2 Are major replacements or refurbishments likely to be required during the planning period?

20.2.6.2 Functionality

20.2.6.2.1 How well suited is the asset to the activities and functions it supports?

20.2.6.3 Utilisation

20.2.6.3.1 How intensively is the asset used?

20.2.6.3.2 Could it be used more productively or accommodating additional functions?

20.2.6.4 Financial performance

20.2.6.4.1 Are the assets' operating costs similar to those for other comparable assets?

20.2.7 The assessment of existing assets must include those assets in the process of being acquired or that are committed. The result of evaluating existing and anticipated new assets is a list of assets available or expected to be available.

20.2.8 The planning process should match the prospective demand for assets with the current asset supply to develop the renewal strategy.

20.3 UNSERVICEABLE/OBSOLETE / REDUNDANT ITEMS

20.3.1 During stock take, the stocktaking team must ensure that the following actions are taken:

20.3.1.1 Check the quantity and condition of inventory items to establish whether it is considered to be in a reasonable state of serviceability.

20.3.1.2 Check for items that have been issued and are not being used.

20.3.1.3 Check whether issued items are being used for the purpose intended.

20.3.1.4 Check for unserviceable, repairable, obsolete or redundant items.

20.3.2 After completion of the stock take, a stocktaking report must be compiled and submitted to the supply chain manager. This will form the basis of the following lists:

20.3.2.1 Unserviceable items.

20.3.2.2 Obsolete items.

20.3.2.3 Redundant items.

20.4 DISPOSAL STRATEGY

20.4.1 Effective asset disposal frameworks incorporate consideration of alternatives for the disposal of surplus, obsolete, under-performing or unserviceable assets. Alternatives should be evaluated in cost-benefit terms.

20.4.2 A disposal strategy establishes the rationale for the anticipated time and method of and the expected proceeds on disposal. The strategy is reviewed and refined, if necessary, prior to disposal, to take account of the market and physical condition of the assets.

20.4.3 Under-utilised and under-performing assets are identified as part of a regular, systematic review process.

20.4.4 The reasons for under-utilisation or poor performance are critically examined and corrective action taken to remedy the situation or a disposal decision is made.

20.4.5 Analysis of disposal methods has regard to potential market values or other intrinsic values such as the location and volume of assets to be disposed of, the ability to support other programmes, environmental implications and regular evaluation of disposal performance.

20.4.6 Effective management of the disposal process will minimise holdings of surplus and under-performing assets and will maximise the return of such assets.

20.5 THE DISPOSAL DECISION

20.5.1 The disposal decision cannot be taken in isolation. Asset disposal decisions are to be made within an integrated, service and financial planning framework. While disposal is viewed as the final stage in asset management it is common for disposal action to trigger the acquisition of a new asset or a replacement asset.

20.5.2 The asset register is a starting point for this analysis as it records the useful lives of assets and is able to provide an indication of the timing of major replacements in the normal course of business.

20.5.3 Other important documents necessary to take a disposal decision are:

20.5.3.1 The obsolescence plan.

20.5.3.2 The renewal plan.

20.5.3.3 The list of unserviceable items.

20.5.3.4 The list of obsolete items.

20.5.3.5 The list of redundant items.

20.5.4 The following policy guidelines are provided to help the municipality to dispose of their assets in an accountable manner. The municipality should:

20.5.4.1 Establish and maintain an asset information system, which records all relevant information on assets in disposal management.

20.5.4.2 Prepare and evaluate proper costing to support the selection of the most cost-effective disposal method.

20.5.4.3 Identify those areas most susceptible to fraud or risks and introduce appropriate preventive measures.

20.5.4.4 Identify and communicate the preferred arrangements for disposals to relevant staff.

20.5.4.5 Engage experts to develop the terms of contract and to assist in preparing the contract to minimise the exposure to risk.

20.5.4.6 Provide clear instructions to the official engaged to undertake the disposal.

20.5.4.7 Monitor and evaluate disposal performance regularly for achievement, fair dealing, cost-effective choice of disposal methods and for compliance with the municipality's disposal policies and objectives.

20.6 ALTERNATIVES TO DISPOSAL

20.6.1 Where assets have been identified as under-performing or no longer functionally suited to programme delivery needs, thought should be given to the following possible alternatives to disposal:

20.6.1.1 A factor to consider is whether utilisation can be increased by adapting the asset to another function or using it in another programme.

20.6.1.2 Refurbishment or an upgrade of the asset may also be viable. The cost and benefit of such alternatives should be included in the disposal strategy.

21 DETERMINING METHODS OF DISPOSAL

21.1 The primary methods of disposal include sale by public auction or bidding, sale by private treaty, trade-in, write-off and letting.

21.2 Whatever method is chosen, it is important, not least for accountability and transparency, that a properly costed evaluation of relevant disposal option is prepared. This should take into account both the costs associated with each method of disposal and the likely benefits (including possible proceeds).

21.3 Before deciding on a particular disposal method, the following matters should be considered:

21.3.1 The nature of the asset.

21.3.2 Its potential market value.

21.3.3 Other intrinsic value of the asset.

21.3.4 Its location.

21.3.5 Its volume.

21.3.6 Its trade-in value.

21.3.7 Its ability to support other programmes.

21.3.8 Environmental considerations.

21.3.9 Market conditions.

21.3.10 The asset's lifetime.

21.3.11 Professional valuations play an important role in asset disposal. It can help managers to select the most appropriate selling method. It also helps to set realistic expectations for the sale. If it is required, valuations must be obtained from experienced agents who have knowledge of the type of asset(s) for sale and current market trends.

21.4 DISPOSAL OF CAPITAL ASSETS

21.4.1 The municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanent dispose of a capital asset needed to provide the minimum level of basic municipal services.

21.4.2 The municipality may transfer ownership or otherwise disposal of a capital asset other than one mentioned above, only after the Municipal Council, in a meeting open to the public:

21.4.2.1 Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services.

21.4.2.2 Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

21.4.3 A decision by the Municipal Council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.

21.4.4 Any transfer of ownership of a capital asset in terms of par 3.4.2 must be fair, equitable, transparent, competitive and consistent with the supply chain management policy of the municipality.

21.4.5 This section does not apply to the transfer of a capital asset to another municipality or to a municipal entity or to a national or provincial organ of state in circumstances and in respect of categories of assets approved by the National Treasury, provided that such transfers are in accordance with a prescribed framework.

21.5 DISPOSAL OF IMMOVABLE PROPERTY

21.5.1 Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise.

21.5.2 Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise.

21.5.3 All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.

21.6 DISPOSAL OF FIREARMS

21.6.1 In the case of the disposal of firearms, the National Conventional Arms Control Committee has to approve any sale or donation of firearms to any person or institution within or outside the Republic.

21.7 DISPOSAL OF MOVABLE ASSETS

21.7.1 Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets.

21.7.2 Transferring the asset to another organ of state at market related value or when appropriate, free of charge.

21.7.3 Movable assets may be sold to either by way of written price quotations, competitive bids and auction or at market related prices, whichever is the most advantageous to the municipality. Bid documents must comply with the criteria prescribed in terms of the PPPFA (Act No 5 of 2000).

21.7.4 Ensure that all immovable property is let at market related rates.

21.7.5 In cases where assets are traded in for other assets, the highest possible trade-in price is to be negotiated.

21.8 COMPUTER EQUIPMENT

21.8.1 In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment.

21.9 OTHER DISPOSAL MECHANISMS

21.9.1 Other appropriate ways of disposal may include:

21.9.1.1 Donations.

21.9.1.2 Sale to staff.

21.9.1.3 Sell as scrap.

21.9.1.4 Recycling.

21.9.1.5 Cannibalisation.

21.9.1.6 Destroying such assets.

22 DISPOSAL REGISTER

22.1 All the steps in the disposal process must be recorded in the disposal register. The disposal manager keeps this register. Such a register must address the following aspects:

22.1.1 Date on which disposal was requested.

22.1.2 Sequence serial number of convening.

22.1.3 Date of physical inspection by the Disposal Committee.

22.1.4 Date that the disposal certificate was submitted to the Accounting Officer.

22.1.5 The date on which confirmation was given by the Accounting Officer.

22.1.6 Actual date of physical disposal of item in terms of confirmation instruction received.

22.1.7 Date confirming that disposal instructions were adhered to.

23 GENERAL ISSUES

23.1 At the very least, a comparison of the actual timing and proceed on disposal should be made with the standard established for the class in the municipality's accounting policies. This is a means of confirming that the useful life, estimated proceeds, and therefore the depreciation rates used are valid. It also provides the opportunity to identify causes where assets are routinely not meeting the service life expectations or their estimated proceeds on disposal.

23.2 In addition to undertaking the cost-benefit analysis of the methods of disposal, supply chain managers are required to compare actual life at disposal with the expected useful life and to explain significant variations.

SECTION 14: REPORTING

1 GENERAL REPORTING OBLIGATION

1.1 The Accounting Officer shall inform the Provincial Treasury, in writing of:

1.1.1 Any failure by the Council of the municipality to adopt or implement a supply chain management policy.

1.1.2 Any non-compliance by a political structure or office-bearer of the municipality with this policy.

1.2 The Accounting Officer of the municipality shall submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

1.3 If the Accounting Officer is unable to comply with any of the responsibilities in terms of this Act, he or she must promptly report the inability, together with reasons, to the Mayor and the Provincial Treasury.

2 INFORMATION TO BE PLACED ON WEBSITES OF MUNICIPALITIES

2.1 The Accounting Officer shall place on the website the following documents of the municipality:

2.1.1 All service delivery agreements.

2.1.2 All supply chain management contracts above R100 000 (vat included).

2.1.3 An information statement containing a list of assets over R30 000 (vat included) that has been disposed of during the previous quarter, where possible.

2.1.4 Contract to which Subsection (1) of Section 33 of the Act apply, subject to Subsection (3) of that Section.

2.1.5 Public-private partnership agreements referred to in Section 120.

2.2 A document referred to in the paragraph above must be placed on the website not later than five days after its tabling in the Council or on the date of which it must be made public, whichever occurs first.

3 MONTHLY REPORTING

3.1 The Municipality shall report monthly to the National Treasury and Municipal Council (where prescribed by law) on the following aspects:

3.1.1 Implementation of Supply Chain Management Policy.

3.1.2 Awards of bids for more than R 100 00.00 (vat included) reported to National Treasury.

3.1.3 Deviation processes followed, non-utilisation of provider list, salami slicing, maverick spend, getting less quotes than prescribed.

3.1.4 Urgency/emergency procurement processes followed.

3.1.5 Process disputes.

3.1.6 Late bids admitted and approved.

3.1.7 Instances of fraud or corruption.

3.1.8 Value for money.

3.1.9 Unsolicited bids considered.

3.1.10 Approval of tenders not recommended.

3.1.11 Percentages of total spending towards Preferential Points (HDI, SMME's, Local content etc)

3.1.12 The Accounting Officer must on a monthly basis report to the Council on the management of contracts or agreements and the performance of the relevant contractors.

4 QUARTERLY REPORTING

4.1 The Accounting Officer shall within 10 days after the end of each quarter submit implementation reports on SCM for consideration by the Mayor.

5 ANNUAL REPORTING

5.1 The Accounting Officer shall at least annually within 30 days of the end of each financial year submit reports on the implementation of the SCM policy to the council and the Provincial Treasury.

5.2 Awards to close family members of persons in the service of the state

5.2.1 The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person, who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

5.2.1.1 The name of that person.

5.2.1.2 The capacity in which that person is in the service of the state.

5.2.1.3 The amount of the award.

SECTION 15: PERFORMANCE MANAGEMENT

1 INTERNAL MONITORING

1.1 The supply chain performance management shall provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

2 ISSUES TO BE REVIEWED

2.1 Achievement of goals within the SCM framework, particularly those associated with the Preferential Procurement Policy Framework Act, the Integrated Development Plan and Broad-based Black Economic Empowerment Act and Strategy.

2.2 Compliance with norms and standards.

2.3 Savings generated.

2.4 Stores efficiency.

2.5 Cost variance per item.

2.6 Contract breach, etc.

2.7 Cost efficiency of procurement process (i.e. the cost of the process itself).

2.8 Whether supply chain objectives are consistent with Government's broader policy focus.

2.9 That the material construction standards become increasingly aligned with those standards that support international best practice.

2.10 That the principles of cooperative governance as expounded in the constitution are observed.

2.11 That the reduction of regional economic disparities is promoted.

2.12 At completion stage of each project, an assessment of the supplier/service provider (including consultants where applicable) be undertaken and that this assessment should be available for future reference. Accounting Officers should take cognisance of the fact that when suppliers do not perform according to their contractual obligations and the Accounting Officer does not address his/her in this regard during the execution of the contract, such non-performance cannot be deemed as sound reason for passing over the bid of such supplier when adjudicating future bids.

3 DIMENSIONS OF PERFORMANCE

3.1 EQUITY

3.1.1 Measures of equity would monitor the extent to which the municipality has achieved and been able to maintain an equitable supply of comparable services across race groups, regions, and urban and rural areas. It would require the municipality to undertake a benefit incidence analysis aimed at answering, “”Who benefits from the services being delivered? And where are the funds being spent and the services delivered?”

3.2 EFFICIENCY

3.2.1 Measures of efficiency seek to reflect how productively resources are translated into service delivery. It is therefore measured by a ratio of output to input. The higher the numerical value of this ratio, the greater the efficiency.

3.3 ECONOMY

3.3.1 Measures of economy look at the cost of inputs, and mode of production to evaluate whether it is cost-effective, i.e. the aim is to answer the question “Was this the cheapest way of producing the desired outputs?” These measures also only have meaning in a relative sense, which means the municipality needs to either compare the actual cost of their outputs with budgeted costs, and explain variances or compare the cost of their outputs with the cost of similar outputs produced elsewhere, e.g. to other state institutions, provinces, in the private sector or in other countries.

3.4 EFFECTIVENESS

3.4.1 Indicators of effectiveness seek to reflect how well the outputs contribute to the achievement of the desired outcomes/objective/goals. Measuring effectiveness assumes a model of how outputs relate to the achievement of the desired outcomes.

3.5 VALUE FOR MONEY

3.5.1 Indicators of value for money explore people's perceptions on whether resources have been well used to impact upon specific outcomes. While indicators of value for money are subjective in nature, the methodology used to collect the information on people's perceptions is usually objective e.g. customer surveys or public opinion surveys.

3.6 Given these different dimensions of performance, the municipality need to develop measurable objectives and related performance measures and targets that capture strategically important aspects of what they are doing or delivering so as to be able to monitor performance.

3.7 All performance measures and targets need to comply with the "carrot" criteria, i.e. they need to be:

Comparable	Information in a format that can be compared across time, region or institution.
Accessible	Clear, easily understood.
Relevant	Measures something meaningful from a management and oversight perspective.
Reliable	Free from error, unbiased, complete and can be replicated.
Operational	Relatively easy to collect data.
Timely	Must be readily available so it can be used for management and oversight.

4 MONITORING OF MUNICIPAL SUPPLY CHAIN MANAGEMENT

4.1 The AO of the municipality must within 30 days of the end of the financial year, submit a report on the implementation of the SCM policy of the municipality, to the Council of the municipality.

4.2 Whenever there are serious and material problems in the implementation of the SCM policy, the Accounting Officer must immediately submit a report to the Council of the municipality.

END OF THE POLICY